CITY OF KELLER
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ending Sept. 30, 2017

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CITY OF KELLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2017

AS PREPARED BY THE
FINANCE DEPARTMENT

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CITY OF KELLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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INTRODUCTORY SECTION

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March 31, 2018

Citizens of Keller, Honorable Mayor Pat McGrail,
Members of the City Council and City Manager
City of Keller, Texas:

The Comprehensive Annual Financial Report for the City of Keller, Texas (the City) for the fiscal year that ended September 30, 2017, is hereby submitted. Article VII, Section 8.15 of the Charter of the City of Keller requires an annual audit of all accounts of the City by an independent certified public accountant, selected by the City Council. This report is intended the meet that requirement, and the independent auditor's report has been included in this report. This report was prepared through the cooperative efforts of the City's Finance Department and independent auditors. The purpose of the report is to provide the City Council, management, staff, citizens, bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City.

Responsibility for the accuracy and reliability of the presented data in this report, completeness and fairness of this report, and all disclosures, rests with City management. The City has established and maintains a system of internal accounting controls designed in part to provide a reasonable assurance that assets are safeguarded against loss, theft, or unauthorized use and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles (GAAP). The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed the benefits likely to be derived.

We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Weaver, L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City's financial statements for the fiscal year ended September 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

The comprehensive annual financial report (CAFR) is organized in three sections: *Introductory, Financial and Statistical*. Included in the *Financial* section is the Management's Discussion and Analysis (MD&A), which provides users a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

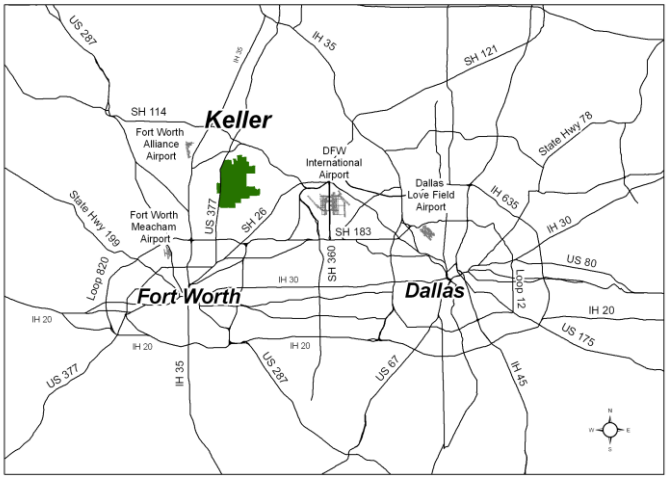
City Profile

The City was incorporated on November 16, 1955, under the general laws of the State of Texas, and the current home-rule charter was approved by the voters in 1982 and most recently amended in 2010. The City operates under the Council-Manager form of government. The Keller City Council is composed of a Mayor and six Council members in places designated as 1 through 6, all elected at-large by registered voters within the city limits of Keller. The Mayor and all Council members are elected for staggered three-year terms. The Mayor and City Council members, places 5 and 6, were elected for the initial three-year term in 2017 (terms expire May 2020). City Council members, places 1 and 2, were elected in 2015 (terms expire May 2018), and Council places 3 and 4 were elected in 2016 (terms expire May 2019). Under the provisions of the City Charter, and subject only to the limitations imposed by the Texas Constitution, State law and the City Charter, the City Council enacts local legislation, adopts the annual operating budget and sets policy. The City Manager, appointed by the City Council, is responsible to the Council for proper administration of the City's daily affairs and appointment of heads of the various departments.

The City of Keller is renowned for being a good place to live and work, delivering big-city comforts with small-town charm. In addition to the numerous departmental awards and recognitions the City receives annually, Keller has also received the following community-wide awards and recognitions for 2017:

- Best Small Cities in America, WalletHub
- Best Places to Buy a Home in Texas, Lend EDU
- Top 10 Cities to Raise a Family in Texas, SmartAsset
- Top 100 Safest Cities in the U.S., Neighborhood Scout
- Top 100 Best Cities for K-12 Teachers in U.S., GoodCall
- Most Fiscally Healthy Towns in Texas, Lend EDU
- 50 Safest Cities in Texas, Safewise
- The Safest Cities in Texas, National Council For Home Safety and Security
- 2017 Safest Places to Live in Texas, Niche
- 50 Safest Places to Live in Texas, Elite Personal Finance
- Safest Cities in Texas, Lend EDU
- Scenic City Gold Status, Scenic City Texas
- Tree City USA 24th Anniversary, Arbor Day Foundation

Some of the items that contributed to these rankings include our extremely low crime rate, an excellent park and trail system, diverse and affordable housing opportunities, and an overall high quality of life. This ranking is a reflection of the dynamic community that Keller is becoming and its premier location in the heart of the DFW Metroplex. Keller is approximately midway between the Dallas/Fort Worth International and Alliance airports, both major employers for our community. The city is traversed by several major traffic corridors, including US Highway 377 (US 377) and Farm-to-Market Road 1709 (FM 1709). The city's quality school system, high residential growth rate, business-friendly atmosphere and low taxes make Keller an inviting destination for new commercial development projects.



The City of Keller is located in Northeast Tarrant County, Texas, approximately 10 miles north of Fort Worth on US 377, and 25 miles northwest of downtown Dallas. It is part of the 12-county "Metroplex" of North Central Texas, which includes the cities of Fort Worth and Dallas as well as surrounding communities, with an estimated population in the 12 county MPA exceeding 7.11 million in January 2016. The city limits of Keller currently encompass approximately 19 square miles.

The City provides a full range of municipal services, including general government, public safety (police and fire), streets, parks and recreation, community development, planning and zoning, code enforcement, public library, and business-type activities such as water, sewer and drainage utilities. Sanitation collection services are provided through a private contractor; customers contract through the City, with collection fees added to their municipal water, sewer and drainage utility bills.

Local Economy

Keller, part of the Dallas/Fort Worth Metroplex, maintains a very strong economy and is ranked as one of the fastest growing cities in the Metroplex. A favorable personal and corporate tax climate, excellent schools, favorable right to work laws and a strong continuing commitment to business make the City and State of Texas prime areas in which businesses locate.

According to the Texas Workforce Commission, the City's civilian labor force was 23,114 in December 2017, compared to a total civilian labor force for Tarrant County of 1,041,045. Keller's unemployment rate in December 2017 was 2.8%, compared to the Tarrant County rate of 3.2%, a statewide rate of 3.7% and a nationwide rate of 3.9%. The unemployment rates are not seasonally adjusted.

The City continues to experience an increase in population. Official Census reported population figures of 27,345 for 2000 and 39,627 for 2010. The January 2017 population estimate was 44,620, representing an increase of 4,993 (12.6%) since the 2010 Census. The following table presents Keller's official Census population since 1970, as well as the current year estimated population.

	Population	Increase (Decrease)	Percent Change
1970 Census	1,474	NA	NA
1980 Census	4,156	2,682	182.0%
1990 Census	13,683	9,527	229.2%
2000 Census	27,345	13,662	99.8%
2010 Census	39,627	12,282	44.9%
2017 Estimate	44,620	4,993	12.6%

Since 1970, the total population increase has exceeded 43,146. This increasing population trend is anticipated to persist for several years, although at a slower pace. Tarrant County has experienced similar growth during the last 40 years, increasing from 715,587 in 1970 to 1,809,034 in 2010, and an increase of more than 167%. According to the North Central Texas Council of Governments' population projections, the population of Tarrant County in 2017 is anticipated to be 1,966,440, an increase of 157,406 or 8.7% since the 2010 Census.

Another factor in measuring the local economy is its overall appraised value. Since 2000, the appraised value of property within Keller has more than doubled. Most of the increase has been the result of new residential development. Overall appraised values provide a better indication of new development than do taxable values, since taxable values are derived after deducting the various allowable exemptions. For Keller, this growth trend moderated in recent years. The following table provides the total appraised values of the City of Keller since 2007.

Fiscal Year Ended September 30	Total Appraised Value (000's)	Percent Change
2007	3,570,923.3	10.6%
2008	3,905,121.9	9.4%
2009	4,049,165.3	3.7%
2010	3,975,497.0	-1.8%
2011	4,046,869.5	1.8%
2012	4,133,807.9	2.1%
2013	4,287,820.9	3.7%
2014	4,557,288.9	6.3%
2015	4,731,833.0	3.8%
2016	5,368,009.1	13.4%
2017	5,627,823.2	4.8%

As shown, the rates of change in the City's total appraised value are continually growing, including a 4.8 percent increase in 2017 over prior year. The rates of increase in taxable values can impact the City's general fund operations significantly, since property tax revenues comprise approximately 48% of the total revenues for the General Fund. City management continuously monitors local economic trends in order to maintain adequate fund balance reserve levels and to meet policy targets.

The City is approximately 85% developed and continues to grow primarily as a residential community. Most residents are employed by major companies located within a 15-mile radius of the City. Several manufacturing firms are located in the Keller area, as well as a variety of commercial establishments, medical facilities, restaurants, retail shops and grocery stores. The City continues to encourage quality commercial growth, which will benefit the entire community.

The value of new construction is included in both market and net taxable values. The net taxable value of new construction for calendar year 2016 (FY 2016-17) was $221.8 million, compared to $178.1 million for calendar year 2015 (FY 2015-16).

The net assessed taxable value for calendar year 2016 (FY 2016-17) increased by 11.3%, compared to an increase of 4.2% in calendar year 2015 (FY 2015-16), and the related levies grew by 10.1% and 3.5% respectfully. The City has been steady growth in property values over the past three years. As a result, the City was able to decrease the tax rate and increase the homestead while still meeting the FY 2016-17 goals of the City, maintain excellent services, and adhere to the financial/budget targets to ensure the fiscal stability of the City's operations.

The expansion of business, retail and commercial growth has also resulted in increases in sales tax collections. Total sales tax collections in FY 2016-17 represent the largest amount in the City's history, with collections totaling more than $11.5 million; up from FY 2015-16 collections totaling $11.3 million.

Long-term Financial Planning

The City maintains a five-year Capital Improvement Program (CIP). The CIP has been used exclusively as a planning tool, and therefore does not commit the City to any project or project funding. The intent of the CIP is to identify and prioritize specific capital improvements needed during the subsequent five years. The CIP is not a capital budget, and as such, only recommends projects, project costs and the proposed means of financing improvements. Recommended improvements are not approved until official action has been taken by the City Council to authorize funding for the improvement.

The five-year capital improvements program (CIP) for fiscal years 2016-17 through 2020-21 was developed by City staff and reviewed and adopted by the City Council as a part of the fiscal year 2016-17 budget. The total five-year program for FY 2016-17 identified $51.0 million of proposed improvements.

When considering future financial impacts on operations resulting from issuing debt obligations for capital improvements, the Finance Department prepares an internal five-year financial forecast for the General and Debt Service Funds. The forecast is also used as an informational planning tool for the City Council.

Relevant Financial Policies

The City has strong financial management policies that provide the basis for the City's financial operations.

The unassigned fund balance in the General Fund (representing 190 days of total General Fund expenditures) currently exceeds the requirements of the City's Financial Management Policies adopted by the City Council for budgetary and planning purposes (i.e., 70 days of General Fund expenditures). In addition to providing financial stability and sustainability during difficult

economic times, the City may use available fund balance reserves as a means to fund one-time, non-recurring projects or expenditures.

In December 2008, the City Council adopted a Financial Management Contingency Plan. The primary purpose of the Plan is to guide planning efforts for City management and is intended to assist in budget balancing strategies during periods of economic uncertainty. During fiscal year 2016-17, no specific provisions of the Contingency Plan were enacted.

In May 2012, the City's financial management policies were amended to increase the required unassigned fund balance in the General Fund from 60 to 70 days of expenditures. In May 2013, the City Council adopted an official GASB 54 fund balance policy. In July 2016, the City Council adopted revisions to the financial management policies which included creating a General Fund minimum of 19.2% (70 days) and a maximum fund balance of 50% (182 days).

Major Initiatives

During FY 2016-17, the City focused on replacement funding for capital equipment. The budget included annual amount of $300,000 from the Fire Department to the fleet replacement fund for future fire apparatus replacements and $400,000 annual amount for replacement of capital facility repairs such as roofs and air conditioners. In addition, the budget including one-time funding of $220,750 for a Streets replacement asphalt paver, of $40,000 for park improvements, of $21,100 for a new Development Services vehicle, and of $18,200 for fire self-contained breathing apparatus equipment maintenance.

Accounting System and Budgetary Control

The annual budget of the City serves as the foundation for its financial planning and control. The budget is proposed by the City Manager and adopted by the City Council in accordance with policies and procedures established by the City Charter, Council ordinances and policies. The budget is prepared and presented by fund (e.g., general fund), department (e.g., police) or function (e.g., debt service), and major cost category (e.g., personnel services). The budgetary process begins each year with the preparation of revenue estimates and budget instructions by the City's Finance Department staff, and expenditure estimates and requests by each City department. Estimates and requests are reviewed by the City Manager and evaluated within the total financial framework of the City. The City Manager makes final decisions regarding the budget recommendations that are submitted to the City Council. The City Charter requires that the City Manager's proposed budget be filed with the City Secretary no later than August 15. The City Manager's proposed budget is reviewed by the City Council and followed by a final public review process, including a required public hearing prior to budget adoption. The City Charter requires adoption of the City budget no later than the twenty-seventh (27) day of the last month of the fiscal year.

Budgetary reporting is provided at the department level within the individual fund. The legal level of control for budgeted expenditures is at the fund level. Transfers of budget appropriations within funds may occur with the approval of the City Manager provided there is no increase in overall expenditures. Transfers of budget appropriations between funds, as well as any increase in total appropriations, require a formal budget amendment adopted by the City Council. Unless otherwise noted, except for capital projects funds, all appropriations lapse at year-end and excess funds become available for re-appropriation in the subsequent year. In prior years, encumbrances remaining at year-end are re-appropriated in the subsequent year.

With the adoption of updated financial policies, all encumbrances related to operating funds end at the end of the fiscal year, unless re-appropriated in the budget adoption. In addition, the updated financial policies placed capital projects and grants on a project life budget, rather than annual, and therefore encumbrances related to capital projects and grants are appropriated until related funds are spent or end of the project, which occurs first.

Prior to FY 2015-16, the City Council would adopt a current year revised budget by ordinance at the same time it was adopting the upcoming budget. This revised budget was not required by City Charter or policy and generally had the budget match to year-end projections. However, the use of a revised budget did not provide a good comparison of budget to actuals and minimized the impact of conservative budgeting. Starting in FY 2015-16, budget amendments are presented to Council and adopted in accordance of the financial policies when budget adjustments are required. The amendments represent required budget adjustments determined either thru budget monitoring or required project funding changes.

Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as required supplementary information. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the major and non-major governmental fund sections of this report. All applicable financial targets were met or exceeded. Additional information regarding the annual budget is provided in the MD&A.

Finance Committee

The City Council formed a Finance Committee as a sub-committee of the City Council. The committee is composed of the Mayor, two Council members (appointed by the Mayor), the City Manager, the Director of Administrative Services and the Director of Finance. The committee functions as an audit committee and reviews all recommendations made by the independent auditors. The committee also serves as the City's investment committee, and reviews other periodic investment and financial reports.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended that September 30, 2016; a reproduction of the certificate accompanies this report.

The City has received a Certificate of Achievement for twenty-eight (28) consecutive fiscal years (FY1988-89 through FY2015-16). In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), the contents of which must conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for the period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the Certificate of Achievement, the City also received GFOA's Distinguished Budget Presentation Award for its FY 2016-17 annual budget document. In order to qualify for

the award, the City's budget document was judged to be proficient in several categories, including policy documentation, financial planning and as an operations guide. The City has received the award for twenty-one (21) consecutive fiscal years (FY1996-97 through FY2016-17). Recognition by GFOA as evidenced by these two awards is verification of the Finance department's dedication to producing documents that effectively communicate the City's financial condition.

In 2016, the City received the Texas State Comptroller's Leadership Gold Circle Award for financial transparency for the sixth consecutive year. This award is presented to cities in Texas that meet certain criteria for providing financial reporting information to its citizens. These financial reports include annual budgets, comprehensive annual financial reports, and online check registers and payroll information.

The City's bonds are rated by both Moody's and Standard and Poor's. Moody's bond rating is Aa1, while Standard and Poor's bond rating is AAA. Both rating categories classify the City's debt obligations as high-quality investment grade. In July 2017, these ratings were confirmed by the respective rating agencies.

The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. Many individuals devoted extra hours and exhibited dedicated effort in ensuring the accuracy and timeliness of this report. Appreciation is expressed to City employees throughout the organization, especially those responsible for the maintenance of records upon which this report is based. Acknowledgment is also given to representatives of Weaver, Certified Public Accountants, for their dedicated assistance in producing this report.

Finally, our appreciation is extended to the Mayor, City Council, and City Manager Mark Hafner for their interest and support in planning and conducting the financial operations of the City of Keller in a responsible and progressive manner.

Respectfully submitted,

Aaron Rector
Director of Finance

Pamela McGee
Assistant Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Keller

Texas

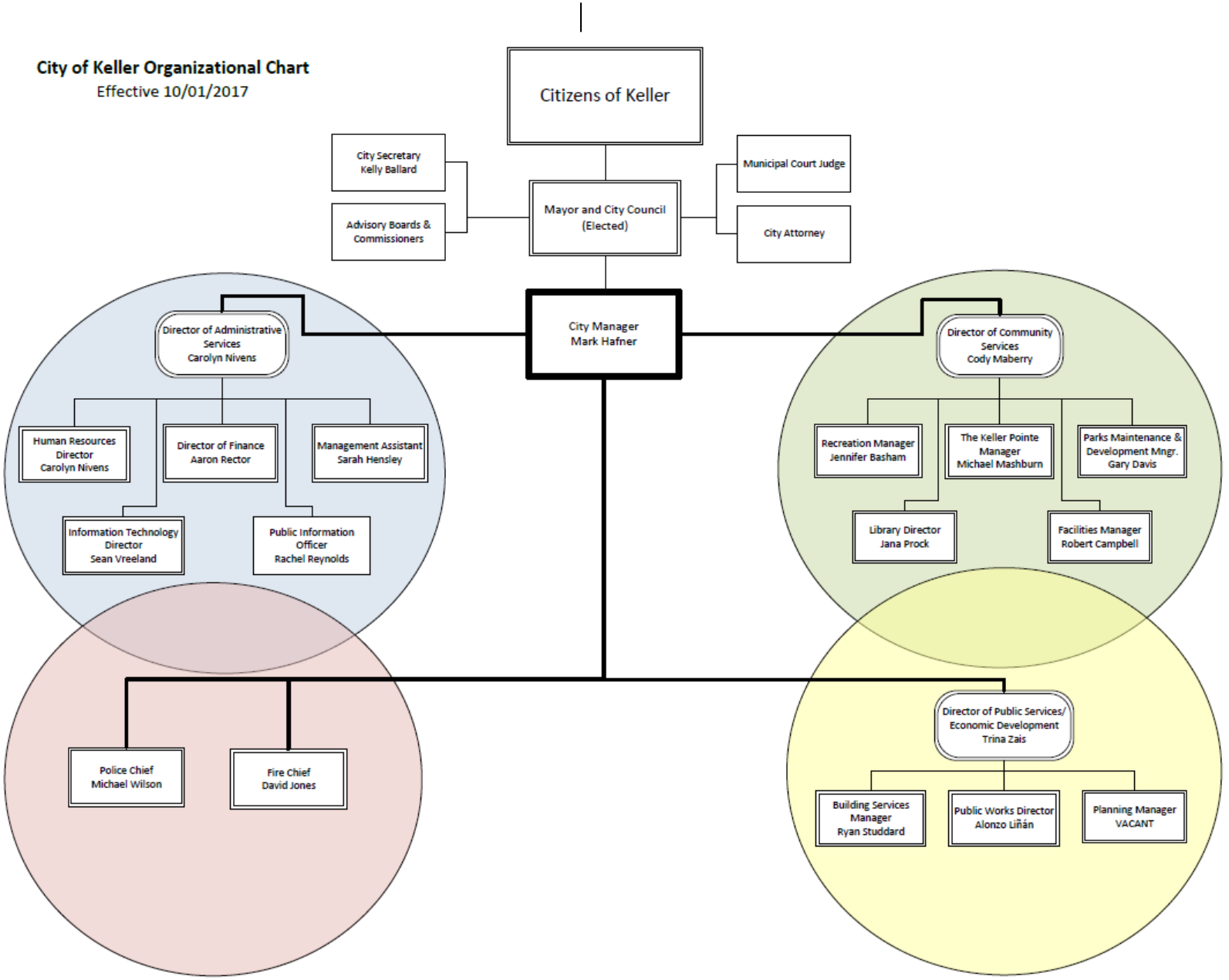
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO

Organization Chart



PRINCIPAL OFFICIALS

October 2017

ELECTED OFFICIALS

Position	*Incumbent*	*Elected*	*Term Expires*
Mayor	Pat McGrail	May 2017	2020
Council, Place 1	Debbie Bryan	May 2013	2018
Council, Place 2	Armin Mizani	Dec 2014	2018
Council, Place 3	Ed Speakmon	Jun 2016	2019
Council, Place 4	Eric Schmidt	May 2016	2019
Council, Place 5	Chris Whatley	May 2017	2020
Council, Place 6	Tag Green	May 2017	2020

APPOINTED OFFICIALS

City Manager ..... Mark Hafner
City Secretary ..... Kelly Ballard
Director of Community Services ..... Cody Maberry
Director of Administrative Services/Human Resources ..... Carolyn Nivens
Director of Public Services/Economic Development ..... Trina Zais
Fire Chief ..... David Jones
Public Works Director ..... Alonzo Liñán
Library Director ..... Jana Prock
Information Technology Director ..... Sean Vreeland
Police Chief ..... Michael Wilson

FINANCE DEPARTMENT

Director of Finance ..... Aaron Rector
Assistant Director of Finance ..... Pamela McGee
Budget Analyst ..... Debbie Penaluna
Purchasing Agent ..... Karla Parker
Senior Accountant ..... Vacant
Accountant ..... Camie Orth
Sr. Accounting Technician ..... Geneva Dunn
Accounting/Records Tech ..... Crystal MacNeil
Accounting/Purchasing Tech ..... Vacant

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Keller, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Texas Municipal Retirement System pension, and other post-employment benefit funding schedules on pages 5 through 11, 62 through 64, and 65 through 67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 27, 2018

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As management of the City of Keller, Texas (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2017, by $231,674,032 (net position). Of this amount, $8,003,788 (unrestricted portion of net position) may be used to meet the government's ongoing obligations to citizens and creditors. Included in the unrestricted portion of net position are monies from all the City's various funds which are not either committed to or restricted for other purposes.

- The City's total net position increased by $15,301,762. The increase is attributable to increases in revenues, particularly property tax revenues, sales tax revenues, licenses and permits revenues, and charges for services.

- Net position increased in the Enterprise Funds by $15,724,435 and increased for the business-type activities by $15,707,315 in comparison to the previous year. Business-type activities include an internal allocation for their portion of the internal service fund activity of ($17,120). Increases in water and aquatics center operational costs, charges for water and wastewater, and transfer of capital assets from governmental activities were the primary reasons for decreases.

- The City's governmental funds reported combined ending fund balances of $52,540,700, an increase of $7,690,618 in comparison to the previous year.

- The unassigned portion of the General Fund fund balance at the end of the year was $16,073,653 or 52% of total General Fund expenditures. This includes the 70 days of General Fund expenditures which is required to be held in General Fund fund balance per the City Council approved Financial Management Policies. That amount is $7,703,185. The remainder represents funds which may be used for one-time expenditures or unforeseen needs which the Council allocates for a specific purpose. The unassigned General Fund fund balance can be seen on page 18 of this report on the Balance Sheet-Governmental Funds. It is part of the total General Fund fund balances, September 30, 2017, shown on page 22 of this report on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

- Total debt of the City only decreased by $175,022 during the fiscal year due to payments on bonded debt and issuance of debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. This is done in a manner similar to a private-sector business. Two statements, the Statement of Net Position and the Statement of Activities, are utilized to provide this financial overview.

The Statement of Net Position presents information on all of the City's assets and liabilities deferred inflows and outflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide statements distinguish between governmental activities and business-type activities. Governmental activities basically account for those activities supported by taxes and intergovernmental revenues. On the other hand, business-type activities are basically supported by user fees and charges. Most City services are reported in governmental activities while business-type activities are reported in the Enterprise Funds.

The City's internal service fund assets and liabilities are reported within Governmental activities. A portion of the City's internal service fund activities is allocated to business-type activities. This allocation is based on the services that the internal service fund provides to the Enterprise Funds.

Fund financial statements. The City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fifteen individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the General Obligation Debt Service Fund, Crime Control Prevention District, the TIF#1 Interest and Sinking Fund, and Capital Projects Fund. Data from the other non-major funds are also combined and reported in a single column. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City maintains two types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastwater operations, drainage utility operations, and non-major aquatic center activity. The City uses internal service funds to account for maintenance and replacement costs of technology, vehicles, and equipment. These services benefit both the governmental and business-type activity functions and therefore, the internal service fund allocates a portion of its activities to the business-type activities.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the financial statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found after the notes to the financial statements.

Government-Wide Financial Analysis

At the end of fiscal year 2017, the City's net position totaled $231,674,032. This analysis focuses on the net position (Table 1) and changes in net position (Table 2).

Net Position. The largest portion of the City's net position, $174,345,514, or 75%, reflects its investment in capital assets (land, buildings, improvements other than buildings, machinery and equipment, construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, $49,324,730, or 21% represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of net position which is $8,003,788 (3%) may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 57,939,572	$ 51,243,068	$ 33,409,903	$ 23,214,466	$ 91,349,475	$ 74,457,534
Capital assets	139,555,114	153,905,987	92,841,453	81,023,518	232,396,567	234,929,505
Total Assets	197,494,686	205,149,055	126,251,356	104,237,984	323,746,042	309,387,039
Deferred outflows of resources	6,192,532	6,995,957	1,102,000	1,303,930	7,294,532	8,299,887
Long term liabilites	64,423,746	70,720,936	27,633,446	21,188,544	92,057,192	91,909,480
Other liabilities	2,148,365	3,876,802	4,317,585	4,653,494	6,465,950	8,530,296
Total liabilities	66,572,111	74,597,738	31,951,031	25,842,038	98,523,142	100,439,776
Deferred inflows of resources	708,828	735,442	134,572	139,438	843,400	874,880
Net Position:						
Net investment in capital assets	97,480,242	100,930,811	76,865,272	63,273,352	174,345,514	164,204,163
Restricted for debt service	2,268,163	3,541,871	-	-	2,268,163	3,541,871
Restricted for capital projects	20,434,317	21,088,314	17,275,318	4,777,236	37,709,635	25,865,550
Restricted for other	9,346,932	7,682,117	-	-	9,346,932	7,682,117
Unrestricted	6,876,625	3,568,719	1,127,163	11,509,850	8,003,788	15,078,569
Total Net Position	$ 136,406,279	$ 136,811,832	$ 95,267,753	$ 79,560,438	$ 231,674,032	$ 216,372,270

Changes in Net Position. The net position of the City increased by $15,301,762 for the fiscal year ended September 30, 2017.

Governmental Activities. Governmental activities decreased the City's net position by $405,553 from the prior year. This was due in part to a $11,460,276 transfer of capital assets to the business-type activities which are being used to operate The Keller Pointe.

Business-type Activities. Business-type activities net position increased by $15,707,315 from the prior year. This increase is primarily due to the transfer of capital assets from the governmental activities.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 6,188,567	$ 6,741,138	$ 31,111,701	$ 25,387,962	$ 37,300,268	$ 32,129,100
Operating grants and contributions	3,620,161	3,878,523	53,222	183,991	3,673,383	4,062,514
Capital grants and contributions	1,242,726	1,881,643	2,012,753	3,810,024	3,255,479	5,691,667
General revenues:						
Ad valorem taxes	26,040,551	24,046,908	-	-	26,040,551	24,046,908
Sales taxes	11,812,756	11,312,683	-	-	11,812,756	11,312,683
Other taxes and fees	4,434,963	4,545,656	-	-	4,434,963	4,545,656
Interest	733,658	153,866	297,571	61,385	1,031,229	215,251
Gain (loss) disposal of capital assets	-	727,056	-	896	-	727,952
Miscellaneous	286,954	208,575	134,135	153,955	421,089	362,530
Total revenues	54,360,336	53,496,048	33,609,382	29,598,213	87,969,718	83,094,261
Expenses:						
General government	6,592,982	6,606,428	-	-	6,592,982	6,606,428
Public safety	21,542,266	20,789,609	-	-	21,542,266	20,789,609
Public w orks	4,289,043	5,715,323	-	-	4,289,043	5,715,323
Community development	2,387,006	3,073,034	-	-	2,387,006	3,073,034
Recreation and Leisure	6,457,773	6,130,399	-	-	6,457,773	6,130,399
Interest on long-term debt	2,027,789	2,068,775	-	-	2,027,789	2,068,775
Water and w astew ater operations			23,661,400	23,446,287	23,661,400	23,446,287
Drainage utility			2,352,482	2,391,244	2,352,482	2,391,244
Recreation aquatics center	-	-	3,357,215	3,041,177	3,357,215	3,041,177
Total expenses	43,296,859	44,383,568	29,371,097	28,878,708	72,667,956	73,262,276
Increase (decrease) in net position before transfers	11,063,477	9,112,480	4,238,285	719,505	15,301,762	9,831,985
Transfers	(11,469,030)	859,937	11,469,030	(859,937)	-	-
Increase (decrease) in net position	(405,553)	9,972,417	15,707,315	(140,432)	15,301,762	9,831,985
Net position - October 1	136,811,832	126,839,415	79,560,438	79,700,870	216,372,270	206,540,285
Net position - September 30	$136,406,279	$136,811,832	$ 95,267,753	$ 79,560,438	$ 231,674,032	$ 216,372,270

Government-Wide Financial Analysis

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of year-end of the current fiscal year, the City's governmental funds reported combined fund balances of $52,540,700.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance was $16,073,653. There was an increase in General Fund balance of $3,882,951 during the current fiscal year. This increase is primarily due to property tax revenues and less operational costs.

The General Obligation Debt Service Fund had an increase of $1,592,905 in fund balance. This was due to an increase in ad valorem property tax revenue and the issuance of debt. These funds are specifically restricted for the payment of debt service. The Crime Control Prevention District Fund increased $528,004 due to more sales tax revenue then expenditures. The Capital Projects Fund had an increase of $2,492,608 due to issuance of debt. The TIF Interest and Sinking Fund had a decrease of $2,884,251 due to principal and interest payments. Other governmental funds' combined fund balances increased $2,078,401.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

The net position of the Water and Wastewater Utilities Fund at the end of the year was $67,390,733. This represents an increase of $4,527,773 which was the result of an increase in water revenues. This year's operating income was $3,413,260. This income is attributable to significant increases in water and sewer charges for service revenue.

The net position of the Drainage Utility Fund at the end of the year was $15,165,173. This represents a decrease of $360,784 due to increased depreciation of capital assets. This year's operating loss was $910,666. This decrease is attributable to an increase in operational costs.

The proprietary funds also included an increase in net position for the Recreation/Aquatic Center and internal service fund. The Recreation/Aquatic Center fund had an increase of $11,557,446 primarily due to the transfer of capital assets from governmental activities. The internal service fund had an increase of $438,569 due to more equipment replacement and a $400,000 transfer from the General Fund.

General Fund Budgetary Highlights. In FY2017, the General Fund expenditure budget was increased by $243,130 from the 2017 original budget. Each year the City performs a mid-year review of the budget. If the City Manager determines that funds are available certain amendments are proposed to the City Council for their review and approval. Expenditures were amended throughout the year with the majority occurring during mid-year reviews. These amendments decreased General Fund appropriations by 0.79%.

In the General Fund, the actual revenue received in comparison to the final budget was under by $182,451. This negative variance is most noticeable in license and permits which was $523,597 under budget. General Fund expenditures had a final budget to actual positive variance of $3,147,289 prior to other financing sources/uses. This amount is attributable to intentional savings made by all departments.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to $232,396,567 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, and construction in progress. The total decrease in the City's investment in capital assets for the current year was 1.07%.

Table 3
Capital Assets at Year-end
Net of Accumulated Depreciaton (000's)

	Governmental Activities		Business-Type Activities		Total	
Asset	2017	2016	2017	2016	2017	2016
Land	$ 34,146	$ 33,955	$ 1,642	$ 1,535	$ 35,788	$ 35,490
Capacity rights	-	-	2,127	2,284	2,127	2,284
Buildings	30,423	40,622	-	-	30,423	40,622
Improvements	64,132	65,371	82,655	69,485	146,787	134,857
Machinery and equipment	5,885	6,183	517	599	6,402	6,781
Construction in progress	4,969	7,775	5,900	7,120	10,869	14,895
	$ 139,555	$ 153,906	$ 92,841	$ 81,024	$ 232,396	$ 234,930

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 43-44.

Debt Administration. At the end of the current fiscal year, the City had total debt outstanding of $72,062,381 which was backed by the full faith and credit of the City in addition to unamortized premiums.

Table 4
Outstanding Debt at Year End (000's)

	Governmental Activities		Business-Type Activities		Total	
Type of Debt	2017	2016	2017	2016	2017	2016
General Obligation	$ 23,761	$ 27,300	$ 9,868	$ 11,299	$ 33,629	$ 38,599
Certificates/Contractual Obligations	21,194	24,945	13,810	6,080	35,004	31,025
Unamortized bond premium	2,470	1,763	959	850	3,429	2,613
Total	$ 47,425	$ 54,008	$ 24,637	$ 18,229	$ 72,062	$ 72,237

The City continues to maintain favorable ratings from bond rating agencies. The current General Obligation, Combination Tax and Revenue Certificates of Obligation, and Revenue Bonds ratings are as follows.

	Moody's Investors Service	Standard & Poor's
General obligation bonds	Aa1	AAA
Certificates of obligation	Aa1	AAA

Additional information on the City's long-term debt can be found in the notes to the financial statements on pages 46-48.

Economic Factors and Next Year's Budgets and Rates

In the next year's adopted fiscal year (FY) 2017-18 budget, total General Fund revenues (including transfers-in) are budgeted to increase by $1,097,028 (3.2%) from the final FY 2016-17 Budget and by $1,413,161 (4.1%) from the FY 2016-17 year-end projection, with general property taxes comprising about 47.5% of General Fund budgeted revenues and transfers-in. Certified taxable assessed valuations (after adjustments) increased 4.9% over the prior year, compared to an increase of 11.3% prior year. Due to the increased valuations, decreased debt obligations, and conservative budgeting, the city was able to reduce the FY 2017-18 tax rate to $0.42750 per $100 of valuation from $0.43000 per $100 of valuation which is the lowest rate in over twenty years. In addition, the city increased the homestead exemption from 4% to 8%.

A small increase of 2.5% was projected for sales tax receipts in FY 2017-18 as monthly sales tax receipts were relatively flat or only showed slight increases during FY 2016-17. While retail sales tax activity has remained strong, a drop in overall utility pricing has resulted in a decrease in utility-based sales tax. FY 2017-18 sales tax projections assumed the lower utility prices would continue. In FY 2016-17, a big box retailer opened mid fiscal year and provided significant taxable sales activity.

Expenditures for the 2017-18 adopted budget represents an increase of $1,622,532, or 4.75% from the FY 2016-17 budget. The FY 2017-18 includes one-time expenditures of $733,178. With the one-time expenditures removed, the FY 2017-18 adopted budget represents an increase of $899,354 or 2.6%. The budget includes one-time funding for a concept plan for Old Town Keller East, for a Future Land Use Plan Update, for a round-about at Keller-Smithfield & Johnson Road, for economic development incentives, and for a TxDOT Signal Timing study.

Conservative revenue and expenditure budgeting resulted in a balanced budget that meets the City Council goals and directions, continues to provide excellent service levels, and maintains ending fund balances as required by the city's financial policies. The FY 2017-18 estimated ending unassigned fund balance at September 30, 2018 is $13,496,423 which equals 38.5% or 135.84 days of on-going expenditures. The estimated fund balance is above the policy required minimum balance of 19.2% (70 days of on-going expenditures) and is below the policy maximum of 50.0% (182 days of on-going expenditures).

The City is able to maintain its financial position because of having a stable tax and retail base, as well as a competitive tax rate. The City's property tax rate for FY 2017-18 ranks as one of the lowest among neighboring Tarrant County area cities.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, P.O. Box 770, Keller, Texas 76244-0770, call (817) 743-4025, or email at finance@CityofKeller.com.

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BASIC FINANCIAL STATEMENTS

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CITY OF KELLER, TEXAS **EXHIBIT A-1**
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and investments	55,254,746	6,862,197	$ 62,116,943
Receivables (net of allowance for uncollectibles)	3,594,486	5,137,443	8,731,929
Inventories	101,184	270,888	372,072
Prepaid items	39,370	253,861	293,231
Internal balances	(1,050,214)	1,050,214	-
Restricted assets:			
Cash and investments	-	19,835,300	19,835,300
Capital assets (net of accumulated depreciation):			
Land	34,145,896	1,642,361	35,788,257
Construction in progress	4,968,583	5,900,294	10,868,877
Buildings	30,422,832		30,422,832
Improvement other than buildings	64,131,988	82,655,238	146,787,226
Capacity rights	-	2,126,854	2,126,854
Machinery and equipment	5,885,815	516,706	6,402,521
Total Assets	197,494,686	126,251,356	323,746,042
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	1,212,136	161,301	1,373,437
Deferred inflows related to pensions	4,980,396	940,699	5,921,095
Total deferred outflows of resources	6,192,532	1,102,000	7,294,532
LIABILITIES			
Accounts payable and other current liabilities	1,561,447	2,453,528	4,014,975
Accrued interest payable	211,827	72,631	284,458
Customer deposits	276,904	1,217,723	1,494,627
Unearned revenue	98,187	573,703	671,890
Non current liabilities:			
Due within one year	9,491,768	2,407,496	11,899,264
Due in more than one year:	54,931,978	25,225,950	80,157,928
Total Liabilities	66,572,111	31,951,031	98,523,142
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	708,828	134,572	843,400
Total deferred inflows of resources	708,828	134,572	843,400
NET POSITION			
Net investment in capital assets	97,480,242	76,865,272	174,345,514
Restricted for:			
Debt service	2,268,163	-	2,268,163
Capital projects	20,434,317	17,275,318	37,709,635
Other	9,346,932	-	9,346,932
Unrestricted	6,876,625	1,127,163	8,003,788
Total Net Position	$ 136,406,279	$ 95,267,753	$ 231,674,032

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF KELLER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	$ 6,592,982	$ 1,196,575	$ 87,471	$ -
Public safety	21,542,266	2,449,597	3,008,377	-
Public works	4,289,043	105,136	468,342	1,242,726
Community development	2,387,006	1,983,407	55,971	-
Recreation and cultural	6,457,773	453,852	-	-
Interest on long-term debt	2,027,789	-	-	-
Total governmental activities	43,296,859	6,188,567	3,620,161	1,242,726
Business-type activities:				
Water and wastewater utility	23,661,400	26,261,738	53,222	1,513,386
Drainage utility	2,352,482	1,441,816	-	499,367
Recreation/Aquatic Center	3,357,215	3,408,147	-	-
Total business-type activities	29,371,097	31,111,701	53,222	2,012,753
Total primary government	$ 72,667,956	$ 37,300,268	$ 3,673,383	$ 3,255,479
General revenues:				
Ad valorem taxes				
Sales taxes				
Franchise taxes				
Mixed drink taxes				
Investment earnings				
Miscellaneous income				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - Beginning of year				
Net position - Ending				

The accompanying notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
$ (5,308,936)	$ -	$ (5,308,936)
(16,084,292)	-	(16,084,292)
(2,472,839)	-	(2,472,839)
(347,628)	-	(347,628)
(6,003,921)	-	(6,003,921)
(2,027,789)	-	(2,027,789)
(32,245,405)	-	(32,245,405)
-	4,166,946	4,166,946
-	(411,299)	(411,299)
-	50,932	50,932
-	3,806,579	3,806,579
$ (32,245,405)	$ 3,806,579	$ (28,438,826)
26,040,551	-	26,040,551
11,812,756	-	11,812,756
4,287,666	-	4,287,666
147,297	-	147,297
733,658	297,571	1,031,229
286,954	134,135	421,089
(11,469,030)	11,469,030	-
31,839,852	11,900,736	43,740,588
(405,553)	15,707,315	15,301,762
136,811,832	79,560,438	216,372,270
$ 136,406,279	$ 95,267,753	$ 231,674,032

CITY OF KELLER, TEXAS
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	General Obligation Debt Service	Crime Control Prevention District
ASSETS			
Cash and investments	$ 16,348,734	$ 1,973,701	$ 3,942,799
Receivables (net of allowance for uncollectibles):			
Ad valorem taxes	178,827	70,685	-
Franchise taxes	655,235	-	-
Sales taxes	970,593	-	222,368
Accounts	517,342	-	-
Interest and Other	40,589	682	20,831
Due from other governments	103,672	-	-
Inventories, at cost	101,184	-	-
Prepaid items	37,417	-	-
Total assets	$ 18,953,593	$ 2,045,068	$ 4,185,998
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 787,822	$ -	$ 4,321
Other payables and accruals	558,938	-	-
Due to other funds	-	-	-
Customer deposits	276,904	-	-
Unearned revenue	93,824	-	-
Total liabilities	1,717,488	-	4,321
DEFERRED INFLOWS OF RESOURCES:			
Unavailable resources	458,806	70,685	-
Total deferred inflows of resources	458,806	70,685	-
FUND BALANCES:			
Nonspendable			
Inventory and prepaids	138,601	-	-
Restricted			
Debt service	-	1,974,383	-
Capital projects	-	-	-
Park Development	-	-	-
Municipal court	-	-	-
Law Enforcement	-	-	4,181,677
Recreation and Cultural	367,352	-	-
Public information and broadcasting	-	-	-
Community clean up	197,693	-	-
Unassigned	16,073,653	-	-
Total fund balances	16,777,299	1,974,383	4,181,677
Total liabilities, deferred inflows of resources, and fund balances	$ 18,953,593	$ 2,045,068	$ 4,185,998

The accompanying notes to the basic financial statements are an integral part of this statement.

EXHIBIT A-3

Capital Projects Fund	TIF #1 Interest and Sinking fund	Non major Governmental Funds	Total Governmental Funds
$ 15,810,390	$ 431,136	$ 13,715,759	$ 52,222,519
-	-	-	249,512
-	-	-	655,235
-	-	768,507	1,961,468
-	-	10,731	528,073
9,011	3,786	15,670	90,569
-	-	3,543	107,215
-	-	-	101,184
-	-	-	37,417
$ 15,819,401	$ 434,922	$ 14,514,210	$ 55,953,192
$ 35,294	$ -	$ 94,338	$ 921,775
-	-	4,195	563,133
-	-	1,021,980	1,021,980
-	-	-	276,904
-	-	4,363	98,187
35,294	-	1,124,876	2,881,979
-	-	1,022	530,513
-	-	1,022	530,513
-	-	-	138,601
-	434,922	-	2,409,305
15,784,107	-	8,788,102	24,572,209
-	-	3,585,156	3,585,156
-	-	196,659	196,659
-	-	144,924	4,326,601
-	-	240,907	608,259
-	-	432,564	432,564
-	-	-	197,693
-	-	-	16,073,653
15,784,107	434,922	13,388,312	52,540,700
$ 15,819,401	$ 434,922	$ 14,514,210	$ 55,953,192

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CITY OF KELLER, TEXAS **EXHIBIT A-4**
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Total fund balance-governmental funds balance sheet	$	52,540,700
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Excludes governmental portion of the internal service funds of $3,041,466.		136,513,648
Deferred losses on refunding are reported as deferred outflows of resources in the government-wide statement of net position.		1,212,136
Revenues earned but not available within sixty days of the fiscal year-end are not recognized as revenue in the fund financial statements.		530,513
Deferred outflows, $4,980,396, and inflows, ($708,828), of resources related to the City's net pension liability results in an increase in net position in the government-wide financial statements (including internal service fund activity). This amount excludes the internal service funds' deferred outflows of $163,994 and inflows of ($23,387).		4,130,961
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(211,827)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the fund financial statements.		(47,424,900)
Pension liability, $14,694,455, compensated absences, $1,618,631, and other post employment benefit obligation, $685,760, are not due and payable in the current period, and therefore are not reported in the fund financial statements. This amount excludes governmental portion of the internal service fund pension liability of $484,567.		(16,514,279)
Internal service funds are used by management to charge the costs of capital assets to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities.		5,629,327
NET POSITION OF GOVERNMENTAL ACTIVITIES - statement of net position	$	136,406,279

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF KELLER, TEXAS **EXHIBIT A-5**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	General Obligation Debt Service	Crime Control Prevention District	Capital Projects Fund	TIF #1 Interest and Sinking fund	Non major Governmental Funds	Total Governmental Funds
REVENUES							
Ad valorem taxes	$ 15,681,079	$ 5,820,475	$ -	$ -	$ 4,630,575	$ -	$ 26,132,129
Sales taxes	5,945,584	-	1,407,984	-	-	4,459,188	11,812,756
Franchise fees	4,140,804	-	-	-	-	146,862	4,287,666
Mixed drink tax	147,297	-	-	-	-	-	147,297
Licenses and permits	1,166,348	-	-	-	-	51,709	1,218,057
Intergovernmental	2,897,396	-	40,000	-	-	122,480	3,059,876
Charges for services	3,363,503	-	-	-	-	224,116	3,587,619
Fines and forfeitures	1,294,376	-	-	-	-	150,739	1,445,115
Special assessments and impact fees	-	-	-	-	-	468,342	468,342
Donations	60,076	-	-	-	-	72,912	132,988
Interest income	280,325	24,758	60,176	127,007	48,417	169,814	710,497
Miscellaneous income	167,942	-	-	-	-	23,667	191,609
Total revenues	35,144,730	5,845,233	1,508,160	127,007	4,678,992	5,889,829	53,193,951
EXPENDITURES							
Current:							
General government	4,887,989	-	-	-	-	427,845	5,315,834
Public safety	16,277,651	-	141,562	-	-	71,211	16,490,424
Public works	2,722,889	-	-	31,149	-	87,655	2,841,693
Community development	1,822,315	-	-	-	-	136,093	1,958,408
Recreation and cultural	4,861,853	-	-	-	-	41,828	4,903,681
Capital outlay	240,043	-	353,487	3,852,983	-	394,027	4,840,540
Debt service:							
Principal	-	2,985,180	340,000	-	7,530,000	1,245,000	12,100,180
Interest and fiscal charges	-	1,134,057	184,350	-	440,563	332,769	2,091,739
Total expenditures	30,812,740	4,119,237	1,019,399	3,884,132	7,970,563	2,736,428	50,542,499
Excess (deficiency) of revenues under expenditures	4,331,990	1,725,996	488,761	(3,757,125)	(3,291,571)	3,153,401	2,651,452
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	1,000,187	407,320	420,000	1,827,507
Transfers out	(480,000)	(252,507)	-	-	-	(1,495,000)	(2,227,507)
Issuance of bonds	-	7,350,000	-	4,990,000	-	-	12,340,000
Premium on bonds issued	-	641,513	-	259,546	-	-	901,059
Payments to escrow agent	-	(7,872,097)	-	-	-	-	(7,872,097)
Proceeds from sale of property	30,961	-	39,243	-	-	-	70,204
Total other financing sources (uses)	(449,039)	(133,091)	39,243	6,249,733	407,320	(1,075,000)	5,039,166
Net change in fund balances	3,882,951	1,592,905	528,004	2,492,608	(2,884,251)	2,078,401	7,690,618
Fund balances, October 1, 2016	12,894,348	381,478	3,653,673	13,291,499	3,319,173	11,309,911	44,850,082
Fund balances, September 30, 2017	$ 16,777,299	$ 1,974,383	$ 4,181,677	$ 15,784,107	$ 434,922	$ 13,388,312	$ 52,540,700

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF KELLER, TEXAS **EXHIBIT A-6**

RECONCILIATON OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances- total governmental funds.	$	7,690,618
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Excludes capital asset additions in the internal service fund of $485,656.		4,412,986
Developers contributions that are not reported in governmental funds.		1,242,726
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. Excludes depreciation expense of $890,582 from internal service fund.		(8,132,629)
The transfer of capital assets between governmental activities and business-type activities is not recorded recorded in the governmental funds financial statements. This amount is the net of capital assets transferred out of governmental activities.		(11,469,030)
The repayment of the principal of long term debt consumes the current financial resources of governmental funds, but has no effect on net position. The amortization of bond premiums and deferred gain/loss on refunding of long term debt is reported in statement of activities but does not require the use of current financial resources. Therefore the effect of the amortization of these various items are not reported in the statement of revenues, expenses, and changes in fund balance.		
This amount represents the net effect of the following items:		
o Repayments of principal		12,100,180
o Bonds refunded		7,530,000
o Issuance of debt		(12,340,000)
o Premium on issuance of debt		(901,059)
o Additions to deferred loss on refunding		349,009
o Amortization/refunding of premium on bonds		194,249
o Amortization of deferred loss on refunding		(169,967)
Implementation of GASB 68 requires certain expenditures to be de-expended and recorded as deferred The following is the net effect of current year pension expense and contributions made after the measurement date. Excludes changes in pension activity of $35,800 that are from the internal service funds.		(1,047,267)
Current year changes in accrued interest payable does not require the use of current financial resources; and therefore, are not reported as expenditures in governmental funds.		32,755
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; and therefore, are not reported as expenditures in governmental funds.		(49,891)
Current changes in OPEB liability do not require the use of current financial resources; and therefore, are not reported as expenditures in governmental funds.		(109,075)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		(194,847)
Internal service funds are used by management to share the costs of capital assets to individual funds. The net revenue (expense) is reported with governmental activities.		455,689
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - statement of activities	$	(405,553)

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds	Non-Major Total Internal Sevice Funds
ASSETS					
Current assets					
Cash and investments	$ 1,767,057	$ 2,638,250	$ 2,456,890	$ 6,862,197	$ 3,032,227
Accounts receivables					
(net of allowances for uncollectibles)	5,007,367	59,619	10,267	5,077,253	-
Interest receivable	43,763	14,174	2,253	60,190	2,414
Due from other funds	1,021,980			1,021,980	-
Inventories, at cost	270,888	-	-	270,888	-
Prepaid items	247,053	133	6,675	253,861	1,953
Restricted assets					
Investments	19,835,300	-	-	19,835,300	-
Total current assets	28,193,408	2,712,176	2,476,085	33,381,669	3,036,594
Non-current assets					
Capital assets:					
Land	1,581,089	61,272	-	1,642,361	-
Water and sewer system	104,530,185	31,707,676	17,902,398	154,140,259	-
Machinery and equipment	1,399,071	373,289	708,860	2,481,220	10,061,675
Capacity rights	6,281,781	-	-	6,281,781	-
Construction in progress	5,188,007	712,287	-	5,900,294	-
Accumulated depreciation	(50,143,721)	(20,044,169)	(7,416,572)	(77,604,462)	(7,020,209)
Total capital assets (net of accumulated depreciation)	68,836,412	12,810,355	11,194,686	92,841,453	3,041,466
Total non-current assets	68,836,412	12,810,355	11,194,686	92,841,453	3,041,466
Total assets	97,029,820	15,522,531	13,670,771	126,223,122	6,078,060
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	161,301	-	-	161,301	-
Pensions	660,738	124,947	155,014	940,699	163,994
Total deferred outflows of resources	822,039	124,947	155,014	1,102,000	163,994

The accompanying notes to the basic financial statements are an integral part of this statement.

LIABILITIES					
Current liabilities:					
Accounts payable	$ 2,202,001	$ 47,288	$ 89,953	$ 2,339,242	$ 47,355
Other payables and accruals	73,503	13,601	27,182	114,286	29,184
Unearned revenue	69,524	-	504,179	573,703	-
Compensated absences payable - current	177,915	43,658	-	221,573	-
General obligation bonds payable - current	1,495,923	-	-	1,495,923	-
Certificates of obligations - current	690,000	-	-	690,000	-
Accrued interest payable	72,631	-	-	72,631	-
Customer deposits	1,175,154	-	42,569	1,217,723	-
Total current liabilities	5,956,651	104,547	663,883	6,725,081	76,539
Non-current liabilities:					
General obligation bonds payable	9,331,559	-	-	9,331,559	-
Certificate of obligations	13,120,000	-	-	13,120,000	-
Net pension liability	1,957,719	360,587	456,085	2,774,391	484,567
Total noncurrent liabilities	24,409,278	360,587	456,085	25,225,950	484,567
Total liabilities	30,365,929	465,134	1,119,968	31,951,031	561,106
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	95,197	17,171	22,204	134,572	23,387
Total deferred inflows of resources	95,197	17,171	22,204	134,572	23,387
NET POSITION					
Net investment in capital assets	52,860,231	12,810,355	11,194,686	76,865,272	3,041,466
Restricted for construction	17,275,318	-	-	17,275,318	-
Unrestricted	(2,744,816)	2,354,818	1,488,927	1,098,929	2,616,095
Total net position	$ 67,390,733	$ 15,165,173	$ 12,683,613	95,239,519	$ 5,657,561
Adjustment to reflect the consolodation of internal service fund activities related to enterprise funds.				28,234	
Total Net Position per Government-Wide Financial Statements				$ 95,267,753	

CITY OF KELLER, TEXAS **EXHIBIT A-8**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds	Non-Major Total Internal Service Funds
OPERATING REVENUES					
Water	$ 18,239,980	$ -	$ -	$ 18,239,980	$ -
Sewer	7,955,915	-	-	7,955,915	-
Drainage revenue	-	1,441,816	-	1,441,816	-
Recreation/Aquatic center revenue	-	-	3,408,147	3,408,147	-
Tap and connection fees	65,843	-	-	65,843	-
Intergovernmental	53,222	-	-	53,222	-
Miscellaneous	117,713	-	14,005	131,718	2,728,648
Total operating revenues	26,432,673	1,441,816	3,422,152	31,296,641	2,728,648
OPERATING EXPENSES					
Personnel services	3,233,226	602,359	1,422,548	5,258,133	777,050
Supplies and maintenance	319,522	24,743	183,137	527,402	296,051
Services and other	5,242,410	475,837	1,179,306	6,897,553	813,423
Wholesale water purchases	8,175,358	-	-	8,175,358	-
Wastewater services contracted	3,089,540	-	-	3,089,540	-
Depreciation	2,959,357	1,249,543	572,224	4,781,124	890,582
Total operating expenses	23,019,413	2,352,482	3,357,215	28,729,110	2,777,106
Operating income (loss)	3,413,260	(910,666)	64,937	2,567,531	(48,458)
NON-OPERATING REVENUES (EXPENSES)					
Investment revenue	217,240	50,335	29,996	297,571	23,161
Gain on sale of property	-	180	2,237	2,417	25,141
Interest expense	(624,867)	-	-	(624,867)	-
Total non-operating revenues (expenses)	(407,627)	50,515	32,233	(324,879)	48,302
Net income (loss) before transfers and contributions	3,005,633	(860,151)	97,170	2,242,652	(156)
TRANSFERS AND CONTRIBUTIONS					
Developer contributions	1,513,386	499,367	-	2,012,753	-
Contribution of capital assets	47,479	-	11,460,276	11,507,755	-
Transfers in	-	-	-	-	440,010
Transfers out	(38,725)	-	-	(38,725)	(1,285)
Total transfers and contributions	1,522,140	499,367	11,460,276	13,481,783	438,725
Change in net position	4,527,773	(360,784)	11,557,446	15,724,435	438,569
Net position, October 1	62,862,960	15,525,957	1,126,167		5,218,992
Net position, September 30	$ 67,390,733	$ 15,165,173	$ 12,683,613		$ 5,657,561
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(17,120)	
Change in Net Position Business-type Activities				15,707,315	

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF KELLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT A-9

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds	Non-Major Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 25,518,889	$ 1,442,747	$ 3,388,882	$ 30,350,518	$ 2,728,910
Cash payments to employees for services	(3,081,314)	(565,671)	(1,386,202)	(5,033,187)	(736,388)
Cash payments to other suppliers for goods and services	(17,956,975)	(529,154)	(1,507,800)	(19,993,929)	(1,126,996)
Net cash provided by operating activities	4,480,600	347,922	494,880	5,323,402	865,526
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	-	-	440,010
Transfers to other funds	(38,725)	-	-	(38,725)	(1,285)
Net cash provided by (used in) non-capital financing activities	(38,725)	-	-	(38,725)	438,725
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal and interest paid	(2,513,959)	-	-	(2,513,959)	-
Bond proceeds	8,320,000	-	-	8,320,000	-
Acquisition or construction of capital assets net of contributions	(2,436,442)	(517,201)	(124,908)	(3,078,551)	(485,656)
Proceeds from sale of capital assets	-	180	2,237	2,417	25,141
Net cash used in capital and related financing activities	3,369,599	(517,021)	(122,671)	2,729,907	(460,515)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase or sale of investments	(4,690,831)	39,320	355,488	(4,296,023)	161,185
Interest and dividends on investments	217,240	50,335	29,996	297,571	23,161
Net cash provided by (used in) investing activities	(4,473,591)	89,655	385,484	(3,998,452)	184,346
Net increase (decrease) in cash and cash equivalents	3,337,883	(79,444)	757,693	4,016,132	1,028,082
Cash and cash equivalents at begininng of year	683,441	839,935	855,081	2,378,457	816,096
Cash and cash equivalents at end of year	$ 4,021,324	$ 760,491	$ 1,612,774	$ 6,394,589	$ 1,844,178
RECONCILIATION TO STATEMENT OF NET POSITION					
Cash and cash equivalents	$ 4,021,324	$ 760,491	$ 1,612,774	$ 6,394,589	$ 1,844,178
Unrestricted and restricted investments	17,581,033	1,877,759	844,116	20,302,908	1,188,049
Total cash and investments	$ 21,602,357	$ 2,638,250	$ 2,456,890	$ 26,697,497	$ 3,032,227
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	$ 3,413,260	$ (910,666)	$ 64,937	$ 2,567,531	$ (48,458)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,959,357	1,249,543	572,224	4,781,124	890,582
Effects of changes in assets and liabilities:					
Decrease (increase) in receivables	(887,558)	12,283	21,296	(853,979)	388
Decrease (increase) in inventories and prepaid items	26,231	(87)	(6,624)	19,520	(1,614)
Decrease (increase) in interest receivables	(32,500)	(11,352)	(111)	(43,963)	(126)
Decrease (increase) in due from other funds	(1,021,980)	-	-	(1,021,980)	-
Decrease (increase) in deferred outflows	127,168	23,846	28,662	179,676	32,475
Increase (decrease) in accounts payable	(134,396)	(28,487)	(138,733)	(301,616)	(15,908)
Increase (decrease) in other payables and accruals	6,277	2,556	4,750	13,583	4,862
Increase (decrease) in compensated absences	5,445	7,844	-	13,289	-
Increase (decrease) in customer deposits	43,807	-	1,065	44,872	-
Increase (decrease) in unearned revenue	(37,533)	-	(55,520)	(93,053)	-
Increase (decrease) in pension liability	16,466	3,088	3,710	23,264	4,205
Increase (decrease) in deferred inflows	(3,444)	(646)	(776)	(4,866)	(880)
Total adjustments	1,067,340	1,258,588	429,943	2,755,871	913,984
Net cash provided by operating activities	$ 4,480,600	$ 347,922	$ 494,880	$ 5,323,402	$ 865,526
NONCASH ITEMS					
Contributions of capital assets	$ 47,479	$ -	$ 11,460,276	$ 11,507,755	$ -
Developer contributions of capital assets	$ 1,513,386	$ 499,367	$ -	$ 2,012,753	$ -

The accompanying notes to the basic financial statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Keller (the City) was incorporated in 1955. The City operates under a Council-Manager form of government as a duly incorporated home rule charter approved in 1982. The City provides the following services: public safety (police and fire), streets, water, sewer and storm water drainage, public improvements, culture, planning and zoning, parks and recreation, and general administrative services.

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanations, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2017.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component unit on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City also presents Management's Discussion and Analysis, which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the original adopted and final amended General Fund budget with actual results.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. The City is a home-rule municipality governed by an elected Mayor and six-member City Council, who appoint a City Manager. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. All of the City's component units are presented as a blended component unit.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

Blended Component Unit

Keller Development Corporation (KDC) – The City created the Keller Development Corporation for the purpose of implementing its Parks Master Plan and appointed a seven-member Board of Directors, four of whom are required to be members of the City Council. The remaining three members are residents of the City. All Board members are appointed by the City Council. KDC is authorized to sell bonds or other forms of indebtedness. In the event of dissolution of KDC, the assets of KDC will be distributed to the City.

Since the KDC Board of Directors act primarily in an advisory role to the Keller City Council, who exercise the ultimate financial control over the recommendations of the KDC Board and there is either a financial benefit or burden relationship between the City and KDC, the financial information of KDC is blended as a governmental fund into the primary government.

Keller Tax Increment Finance Reinvestment Zone #1 (TIF) – The City created the Keller Tax Increment Finance Reinvestment Zone #1 to encourage the accelerated development of the Keller Town Center area in the City. The 12-member board of Directors is comprised of five members of the Keller City Council, the Mayor of Keller, three members representing the Keller Independent School District, and one member appointed from the governing bodies of the three respective Tarrant County entities. The TIF was established through the corporate efforts of the City of Keller, the Keller Independent School District, Tarrant County, the Tarrant County College District and the Tarrant County Hospital District. These entities comprise all of the overlapping taxing entities within the City. Debt obligations issued and backed by the TIF are to be repaid from property tax levies, based on the incremental increase in the real property values from the base year (1998).

Since the TIF Board of Directors acts primarily in an advisory role to the Keller City Council, who exercise the ultimate financial control over the recommendations of the TIF Board and the TIF provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it does not provide services directly to it, the financial information of the TIF is blended as a governmental fund intro the primary government.

Keller Crime Control Prevention District (KCCPD) – In accordance with Section 363 of the Texas Local Government Code, the City Council appointed a temporary KCCPD Board, who then developed and proposed a two-year financial plan to the residents of the City for a public vote. In November 2001, the residents of the City, by referendum, approved an additional three-eighths of one percent (0.375%) sales and use tax to be used for public safety crime control and prevention programs, including public safety equipment, and improvements to public safety facilities. Following voter approval of KCCPD, a Board of Directors was officially appointed by the City Council, and the two-year budget was then adopted by the Board and City Council. By statute, the life of KCCPD cannot exceed five years without re-authorization by another referendum. The additional sales tax became effective in April 2002. The tax was authorized for an initial period of five years. In May 2006, voters re-authorized the tax for an additional period of 15 years. In November 2007, voters authorized a reduction in the rate from three-eighths of one percent (0.375%) to one-quarter of one percent (0.25%).

Since the KCCPD Board acts primarily in an advisory role to the Keller City Council, who exercises the ultimate financial control over the recommendations of the KCCPD Board and the KCCPD provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it does not provide services directly to it, the financial information for KCCPD is blended as a governmental fund into the primary government.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

Separate financial statements for the component units are not prepared.

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, the general obligation debt service fund, the Crime Control Prevention District, and the capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The governmental fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Property taxes, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the State and merchants at year-end on behalf of the City are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Accounting

The following major funds are used by the City:

1. Governmental Funds:

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of changes in financial position, rather than on net income determination. The following is a description of the major Governmental Funds of the City:

a. The **General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

b. The **General Obligation Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

c. The **Crime Control Prevention District Special Revenue Fund** is used to account for collection of sales and use taxes, in accordance with Section 363 of the Texas Local Government Code, to be used for public safety crime control and prevention programs.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

d. The **Capital Projects Fund** is used to account for construction and progress capital outlay or long term repair contract expenditures.

e. The ***TIF #1 Interest and Sinking Fund*** is used to account for the accumulation of incremental property taxes from within the zone for payment of TIF debt.

In addition, the City reports the following non-major governmental funds.

Nonmajor Special Revenue Funds are used to account for the specific revenues that are legally restricted to expenditure for particular purposes.

Library Fund – This fund accounts for public donations and revenues restricted for Library improvements

Municipal Court Fund – This fund accounts for technology and building security fees collected from Municipal Court citations. Expenditures from these fees are specifically restricted by state law for court technology and security.

Public Safety Fund - This fund accounts for revenues derived from forfeiture and seizure of assets resulting from illegal narcotic activity. Expenditures are restricted for the Police Department to be used in illegal narcotic enforcement.

Public Art Fund – This fund is to account for contributions, donations, and other resources that are restricted for specific uses or purposes.

Public Information and Broadcasting – This fund is used to account for collection of franchise taxes from cable fees. Expenditures are restricted for the use of communications throughout the City.

Tree Restoration Fund – This fund accounts for public donations and charges for services restricted for the use of restoring trees around the City.

Keller Development Corporation Fund – This fund is used to account for collection of sales and use taxes for the payment of bonds or other forms of indebtedness to finance the cost of Keller parks.

The ***Nonmajor Capital Projects Funds*** account for all resources used for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Roadway Impact Fees Fund – This fund is used to account for revenues that are restricted for roadway improvements. Authorized expenditures include improvements and engineering.

Park Development Fee Fund – This fund is used to account for resources received primarily from park development fees and expenditures for specific park improvements

Street/Sidewalk Improvement Fund – This fund is used to account for revenues that are restricted for street and sidewalk improvements. Authorized expenditures include improvements and related engineering.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Parks Capital Improvement Fund – This fund is to account for acquisition or construction of capital assets.

Governmental funds with legally adopted annual budgets include the General Fund, the General Obligation Debt Service Fund, Crime Control Prevention District, Keller Development Corporation, the TIF#1 Interest and Sinking Fund, Library Fund, Municipal Court fund, and the Street/Sidewalk Improvement fund.

2. Proprietary Funds:

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City reports proprietary funds that are considered to be enterprise and internal service funds.

The following proprietary funds are reported as enterprise funds:

Water and Wastewater Utilities Fund – This fund is used to account for the operations of the water distribution system, wastewater pumping stations and collection systems. The City reports the water and wastewater utilities fund as a major fund.

Drainage Utility Fund – This fund is used to account for the operations of the City's drainage system for storm water control. The City reports the drainage utility fund as a major fund.

Recreation/Aquatic Center Fund – This fund is considered a non-major fund for reporting purposes and is used to account for customer activity at the City's recreation and pool facilities.

The City's enterprise funds are reported in the business-type activities on the governmental-wide financial statements.

The City reports the following non-major internal service funds:

Information Technology Fund – This fund is used to account for replacements of computers and software for the City's departments.

Equipment Replacement Fund – This fund is used to account for replacement of vehicles and other equipment that are City owned.

The City's internal service funds account for the financing of goods and services provided by one department to other City departments or to other governmental units on a cost-reimbursement basis. The City's internal service funds are reported with the governmental activities with an allocation to the business-type activities on the government-wide financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Substantially all operating cash and cash equivalents are maintained in consolidated cash accounts or individual fund investment accounts.

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligation, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (B) secured by obligations that are described by (1), pledged with third party selected or approved by the City, and placed through a primary government securities dealer.

Investments, except for the investment pools and money market mutual funds are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market mutual funds are accessible at any time and therefore are also reported at amortized cost.

F. Inventories and Prepaid Items

Inventory is valued at cost (first-in, first-out). The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by non-spendable fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of fund balance. The City is not required to maintain a minimum level of inventory. Inventories in the Proprietary Funds consist of supplies and are recorded at the lower of cost or market.

Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2017, and the non-spendable fund balance has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

Customer deposits received for water and wastewater service are, by law, considered to be restricted assets. These balances are included in the proprietary funds.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20 - 40
Improvements other than buildings	20 - 40
Water, sewer, and drainage system	20 - 40
Capacity rights	40
Machinery, vehicle, and other equipment	3 - 20

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation is accrued depending on level of employment and years of service. Vacation can be accrued up to 240 to 400 hours depending on years of service with the City. Accrued vacation is paid upon retirement or termination. Sick leave is accrued at 8 hours per month with no limitations. Accrued sick leave expires and is not paid upon retirement or termination. Unused compensatory time for nonexempt employees is paid upon termination. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only is they are matured, for example, unused reimbursable leave payable as a result of employee resignations and retirements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Losses on refunding are deferred and amortized over the life of the new issuance or the existing debt using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

M. Deferred Outflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

Deferred Loss on Refunding – these deferred outflows result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Pensions – these deferred outflows result from pension contributions after the measurement date (deferred and recognized in the following fiscal year) and/or differences in projected and actual earnings on pension assets (deferred and amortized over a closed five year period).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Fund Equity

The City has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the City classifies governmental fund balances as follows:

Nonspendable fund balance – includes amounts that are not in a spendable form or are required to be maintained intact. (i.e. inventories, prepaid items)

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. (i.e. debt service, capital projects, economic development, municipal court security, municipal court technology, tourism)

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (City Council). Commitments may be changed or lifted only by the government taking the same formal action (resolution) that imposed the constraint originally (i.e. park acquisition and improvement, recreation, fire training, fire development, public arts).

Assigned fund balance – comprises amounts intended to be used by the government for specific purposes. Per the fund balance policy, Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. The City Council has authorized the City Manager as the official authorized to assign fund balance to a specific purpose as approved by the fund balance policy.

Unassigned fund balance – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Order of Expenditure of Funds – When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. New Accounting Pronouncement

Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” – This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibly funding the benefits over time to a point-in time liability that is reflected on the employer’s financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the City in fiscal year 2018. Management is evaluating the impact of the standard on the City’s financial statements and will take the necessary steps to implement it.

P. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2017 up through March 27, 2018, the date the financial statements were issued. During this period, there were no subsequent events requiring disclosure.

Q. Property Taxes

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attach as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred revenue in the governmental fund financial statements. Property taxes for cities, including those applicable to debt service, are limited by the Texas Constitution to $2.50 per $100 of assessed valuation. The City's current tax rate is $0.430000 per $100 of assessed valuation and assessed valuation is approximately 100% of estimated value.

R. Use of Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH, INVESTMENTS, AND DEPOSITS

At year end, the carrying amount of the City's interest bearing bank deposits and money market funds was $23,530,227 and the bank balance was $23,864,873. All of the bank balances was covered by federal deposit insurance and collateralized by the pledging financial institution's City's safekeeping account at the Federal Reserve or held by a third party custodian. The custodian serves contractually as the City's agent.

Additionally, the City has an account under a safekeeping agreement with Frost Bank, TX. The U.S. Government Treasury and Agency investments clear via the Federal Reserve System through this account upon purchase, sale, or maturity. All assets in the account are held in the City's name.

The table below identifies the investment types that are authorized for the City by the Public Funds Investment Act. (Government Code Chapter 2256) The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S Treasury Obligations	3 years	100%	None
U.S. Agency Obligations	3 years	80%	None
State Agency Obligations	3 years	40%	None
Certificate of Deposits	3 years	80%	None
Investment Pools	3 years	80%	None
Repurchase Agreement	3 years	40%	None
Money Market Mutual Funds	3 years	40%	None
Money Market Accounts	3 years	80%	None

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Investment Pools are measured at amortized cost and are exempt for fair value reporting.

NOTE 2. CASH, INVESTMENTS, AND DEPOSITS – CONTINUED

Certificates of Deposit classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

The City has recurring fair value measurements as presented in the table below. The City's investment balances and weighted average maturity of such investments (excluding the OPEB Liability Trust) are as follows:

		Fair Value Measurements					
	Fair Value	Level 1 Inputs	Level 2 Inputs	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk	Rating Agency
Investments measured at amortized cost							
Investment Pools							
TexPool	$ 20,757,097	$ -	$ -	35.53%	37	AAAm	S&P
LOGIC	4,373,055	-	-	7.49%	40	AAAm	S&P
Investments by fair value level							
Certificates of Deposit	33,291,864	30,429,720	-	56.99%	257	AA+/Aaa	S&P
Total	$ 58,422,016	$ 30,429,720	$ -	100.00%			
Portfolio Weighted Average Maturity					162		

Weighted average maturity of the portfolio by investment type reflected in the table is stated in days. For investment pools, the recent weighted average maturity is presented based on the statewide investment pool. Interest bearing bank deposits is not included in the portfolio's weighted average maturity presented.

Interest Rate Risk

In compliance with the City's Investment Policy, as of September 30, 2017, the City minimized the interest rate risk, the risk relating to the decline in market value of securities in the portfolio, by: limiting the weighted average maturity to 365 days and the stated maturity to two years or less, with the exception of securities purchases related to reserve funds; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the PFIA; and investing funds primarily in money market mutual funds, government investment pools, and shorter-term securities with a weighted average maturity of less than 200 days.

The following table details the maturity schedule for the City's investments as of September 30, 2017:

Maturity Schedule	Book Value	Fair Value	% of Portfolio
Less than 1 Month	$ 27,157,287	$ 27,157,287	46%
1 to 6 Months	9,178,790	9,178,790	17%
6 to 9 Months	1,509,088	1,509,088	3%
9 to 12 Months	10,562,204	10,562,204	17%
12 to 18 Months	10,014,647	10,014,647	17%
Total	$ 58,422,016	$ 58,422,016	100%

NOTE 2. CASH, INVESTMENTS, AND DEPOSITS – CONTINUED

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to limit its investment types with an investment quality rating not less than AAA or its equivalent by a national recognized statistical rating organization.

The City's investment policy does not allow for an investment in any one issuer (other than investment pools) that is in excess of five percent of the fair value of the City's total investments.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

The City requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the City's depository in the City's name and held by the depository's agent.

The City is a voluntary participant in TexPool and Local Government Investment Cooperative (LOGIC). TexPool and LOGIC operates in a manner consistent with the SEC's Rule2A7 of the Investment Company Act of 1940.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

There is no regulatory oversight by the State of Texas over LOGIC. The investment activities of LOGIC are administered by third party advisors. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net position and share prices since that amount approximates fair value.

NOTE 3. RECEIVABLES

Year-end receivable balances for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds						
Governmental Funds	General	General Obligation Debt Service	Crime Control Prevention District	Capital Projects Fund	TIF #1 Interest & Sinking	Non Major Governmental Funds	Total
Receivables							
Property taxes	$ 204,543	$ 80,614	$ -	$ -	$ -	$ -	$ 285,157
Franchise taxes	655,235	-	-	-	-	-	655,235
Sales taxes	970,593	-	222,368	-	-	768,507	1,961,468
Accounts	962,123	-	-	-	-	10,731	972,854
Other	40,589	682	20,831	9,011	3,786	15,670	90,569
Due from other Governments	103,672	-	-	-	-	3,543	107,215
Gross receivables	2,936,755	81,296	243,199	9,011	3,786	798,451	4,072,498
Less: allowance	(470,497)	(9,929)	-	-	-	-	(480,426)
Net total receivables	$ 2,466,258	$ 71,367	$ 243,199	$ 9,011	$ 3,786	$ 798,451	$ 3,592,072

Year-end receivable balances for the government's individual proprietary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Proprietary Funds				
Proprietary Funds	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation Aquatic Center	Total Enterprise Funds	Non-Major Internal Service Fund
Receivables					
Accounts	$ 5,116,897	$ 78,586	$ 10,267	$ 5,205,750	$ -
Interest	43,763	14,174	2,253	60,190	2,414
Gross receivables	5,160,660	92,760	12,520	5,265,940	2,414
Less: allowance	(109,530)	(18,967)	-	(128,497)	-
Net total receivables	$ 5,051,130	$ 73,793	$ 12,520	$ 5,137,443	$ 2,414

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 33,954,758	$ 191,138	$ -	$ -	$ 34,145,896
Construction in progress	7,775,031	3,659,395	-	(6,465,843)	4,968,583
Total capital assets, not being depreciated	41,729,789	3,850,533	-	(6,465,843)	39,114,479
Capital assets being depreciated:					
Buildings	63,647,909	-		(14,791,144)	48,856,765
Improvements other than buildings	188,923,243	1,283,772	-	3,122,134	193,329,149
Machinery and equipment	20,129,183	1,007,063	(258,898)	(167,796)	20,709,552
Total capital assets being depreciated	272,700,335	2,290,835	(258,898)	(11,836,806)	262,895,466
Less accumulated depreciation for:					
Buildings	(23,026,365)	(1,477,021)		6,069,453	(18,433,933)
Improvements other than buildings	(123,552,224)	(5,943,039)	-	298,102	(129,197,161)
Machinery and equipment	(13,945,548)	(1,603,151)	258,898	466,064	(14,823,737)
Total accumulated depreciation	(160,524,137)	(9,023,211)	258,898	6,833,619	(162,454,831)
Total capital assets being depreciated, net	112,176,198	(6,732,376)	-	(5,003,187)	100,440,635
Governmental activities capital assets, net	$ 153,905,987	$ (2,881,843)	$ -	$ (11,469,030)	$ 139,555,114

Governmental activities include internal service fund machinery and equipment of $10,061,675 with accumulated depreciation of $7,020,209 as of September 30, 2017.

Depreciation expense was charged to governmental activity functions as follows:

Governmental Activities:	
General government	$ 1,723,080
Public safety	4,542,958
Public works	896,443
Community development	536,631
Recreation and cultural	1,324,099
Total depreciation expense - governmental activities	$ 9,023,211

Governmental activities portion of the internal service fund depreciation expense of $890,582 is allocated within each function.

NOTE 4. CAPITAL ASSETS – CONTINUED

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	$ 1,535,270	$ 107,091	$ -	$ -	$ 1,642,361
Construction in progress	7,120,235	3,017,713	-	(4,237,654)	5,900,294
Total capital assets, not being depreciated	8,655,505	3,124,804	-	(4,237,654)	7,542,655
Capital assets being depreciated:					
Improvements other than building	130,118,181	1,961,781	-	22,060,297	154,140,259
Machinery and equipment	2,004,317	43,444	(46,547)	480,006	2,481,220
Capacity rights	6,281,781	-	-	-	6,281,781
Total capital assets being depreciated	138,404,279	2,005,225	(46,547)	22,540,303	162,903,260
Less accumulated depreciation for:					
Improvements other than building	(60,632,916)	(4,484,904)	-	(6,367,201)	(71,485,021)
Machinery and equipment	(1,405,471)	(139,172)	46,547	(466,418)	(1,964,514)
Capacity rights	(3,997,879)	(157,048)	-	-	(4,154,927)
Total accumulated depreciation	(66,036,266)	(4,781,124)	46,547	(6,833,619)	(77,604,462)
Total capital assets being depreciated, net	72,368,013	(2,775,899)	-	15,706,684	85,298,798
Business-type activities capital assets, net	$ 81,023,518	$ 348,905	$ -	$ 11,469,030	$ 92,841,453

Business-type activities depreciation expense as follows:

Business-type activities:	
Water and wastewater utilities	$ 2,959,357
Drainage utility	1,249,543
Recreation / aquatic center	572,224
Total depreciation expense - business-type activities	$ 4,781,124

NOTE 4. CAPITAL ASSETS – CONTINUED

Construction Commitments

The City has active construction projects as of September 30, 2017. The projects include construction, park improvements, and drainage improvements.

Significant Commitments for construction in progress are composed of the following:

Project Description	Authorized Project Amount	Project Expenditures To Date	Remaining Project Balance
Fire Station Rehab. & Remote Bays	$ 2,671,754	$ 242,118	$ 2,429,636
Keller Hicks Intersection Improvements	2,195,000	121,807	2,073,193
Alta Vista Transmission Main	5,622,200	662,454	4,959,746
Alta Vista Pump Station	2,408,505	128,152	2,280,353
Fort Worth 47" Transmission Main	1,240,000	663,454	576,546
2017 SWIFT Project	4,000,000	49,500	3,950,500
	$ 18,137,459	$ 1,867,485	$ 16,269,974

NOTE 5. TRANSFERS AND INTERFUND RECEIVABLES AND PAYABLES

Transfers are used to provide funds for debt service, contributions for capital construction or reimbursement for capital asset purchases, cost allocations and other operational costs as determined by the City's annual budget. Transfers between funds during the year were as follows:

Transfers In	Transfers Out	Amount	Purpose
Capital Projects Fund	General Fund	$ 80,000	To contribute funding for capital projects
Capital Projects Fund	Nonmajor Governmental Funds	920,187	Transfer from street maintenance for maintenance projects
Nonmajor Governmental Funds	Nonmajor Governmental Funds	420,000	Keller Development Corporation transfer for street maintenance
TIF #1 Interest and Sinking	Nonmajor Governmental Funds	154,813	Transfer to contribute to the TIF's debt service payment
TIF #1 Interest and Sinking	General Obligation Debt	252,507	Transfer to contribute to the TIF's debt service payment
Internal Service Fund	General Fund	400,000	To supplement the internal service fund
Internal Service Fund	Water and Sewer Fund	38,725	Transfer for capital assets
Internal Service Fund	Internal Service Fund	1,285	Transfer for capital assets
	Total Transfers	$ 2,267,517	

The City's governmental activities fund transferred capital assets totaling $11,460,276 to the City's aquatics fund.

NOTE 6. DEFERRED INFLOWS OF RESOURCES

Governmental funds report *deferred inflows of resources* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At year-end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	General Fund	General Obligation Debt Service	Nonmajor Governmental Funds	Total
Deferred inflows of resources:				
Property taxes	$ 178,827	$ 70,685	$ -	$ 249,512
Court fines	39,231	-	1,022	40,253
Emergency services	240,748	-	-	240,748
Total	$ 458,806	$ 70,685	$ 1,022	$ 530,513

NOTE 7. LONG-TERM DEBT

General Obligation Bonds, Certificates of Obligation and Contractual Obligations

The City issues general obligation bonds, certificates of obligation bonds, and contractual obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental which includes blended component units and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

General Obligation Bonds	Final Maturity	Interest Rates	Component Unit Portion	City Portion	Total Governmental	Business-Type
$4,000,000 Series 2009 Improvements	2029	4.00 - 4.65%	$ -	$ 375,000	$ 375,000	$ -
$6,299,997 Series 2010** Refunding	2028	1.00 - 4.13%	730,000	-	730,000	-
$3,290,000 Series 2010A Refunding	2020	2.00 - 3.50%	-	390,000	390,000	255,000
$5,620,000 Series 2010B Refunding	2022	2.00 - 4.00%	-	1,681,353	1,681,353	1,268,647
$9,860,000 Series 2011* Refunding	2023	0.55 - 5.00%	7,345,000	495,000	7,840,000	-
$11,465,000 Series 2012 Refunding	2024	2.00 - 5.00%	-	3,040,000	3,040,000	4,930,000
$10,475,000 Series 2015 Refunding	2026	2.00 - 4.00%	-	2,355,000	2,355,000	3,415,000
$7,350,000 Series 2017 Refunding	2029	2.00 - 3.00%	-	7,350,000	7,350,000	-
Total General Obligation Bonds			$ 8,075,000	$ 15,686,353	$ 23,761,353	$ 9,868,647

*Component Unit Portion is with Keller Development Corp.
**Component Unit Portion is with the Keller TIF

NOTE 7. LONG-TERM DEBT – CONTINUED

General Obligation Bonds, Certificates of Obligation and Contractual Obligations – Continued

Certificate of Obligations	Final Maturity	Interest Rates	Component Unit Portion	City Portion	Total Governmental	Business-Type
$8,310,000 Series 2009 Improvements	2029	3.00 - 4.70%	$ -	$ 755,000	$ 755,000	$ -
$8,310,000 Series 2010 Improvements	2030	2.00 - 4.00%	-	4,985,000	4,985,000	1,185,000
$5,835,000 Series 2012 Improvements (CWSRF)	2032	0.05 - 2.20%	-	-	-	4,570,000
$6,000,000 Series 2012 Improvement	2027	2.00 - 5.00%	-	4,400,000	4,400,000	-
$9,545,000 Series 2015** Refunding	2018	4.00 - 5.00%	2,505,000	-	2,505,000	-
$3,870,000 Series 2015* Improvements	2034	2.00 - 3.13%	3,380,000	-	3,380,000	-
$4,060,000 Series 2016 Improvements	2031	0.53 - 1.93%	-	-	-	3,795,000
$9,250,000 Series 2017 Tax and Revenue	2037	2.00 - 4.00%		4,990,000	4,990,000	4,260,000
Total Cerificate of Obligations			$ 5,885,000	$ 15,130,000	$ 21,015,000	$ 13,810,000

*Component Unit Portion is with Keller Development Corp.
**Component Unit Portion is with the Keller TIF

Contractual Obligations	Final Maturity	Interest Rates	Component Unit Portion	City Portion	Total Governmental	Business-Type
$873,000 Series 2013 Improvements	2018	0.56 - 1.63%	$ -	$ 179,000	$ 179,000	$ -
Total Contractual Obligation Bonds			$ -	$ 179,000	$ 179,000	$ -

In June 2017, the City issued $7,350,000 of General Obligation Refunding Bonds, Series 2017, which was used to refund $2,520,000 of General Obligation Bonds, Series 2009, and $5,010,000 of Combination Tax and Revenue Certificate of Obligation Bonds, Series 2009. Net proceeds from the sale of the bonds totaled $7,872,097; which was placed with an escrow agent to provide for all future debt service payments on the refunded bonds. This refunding resulted in a decrease of the City's debt service payments of $832,210, which resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of $722,103.

In June 2017, the City also issued $9,250,000 of Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017. $4,990,000 of the proceeds went towards infrastructure in governmental activities for roads and foundation for drainage systems. $4,260,000 of the proceeds went towards business-type activities for construction of water and utility and drainage systems in the enterprise funds.

Lastly, the City issued a $4,060,000 Certificate of Obligation in November 2016 which was issued at a reduced interest rate of 0.53 – 1.91%. The proceeds of this certificate are being used for development of clean water utility systems throughout the City.

NOTE 7. LONG-TERM DEBT – CONTINUED

Changes in Long-term Liabilities:

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2017, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Governmental activities:					
General obligation bonds	$ 27,300,533	$ 7,350,000	$ (10,889,180)	$ 23,761,353	$ 3,344,077
Certificate of obligations	24,589,940	4,990,000	(8,564,940)	21,015,000	4,350,000
Contractual obligation	355,060	-	(176,060)	179,000	179,060
Unamortized bond premium (discount)	1,762,737	901,059	(194,249)	2,469,547	-
Total bonds payable	54,008,270	13,241,059	(19,824,429)	47,424,900	7,873,137
Compensated absences	1,568,740	1,552,400	(1,502,509)	1,618,631	1,618,631
Net pension liability*	14,567,241	127,214	-	14,694,455	-
OPEB liability	576,685	109,075	-	685,760	-
Total governmental activities	$ 70,720,936	$ 15,029,748	$ (21,326,938)	$ 64,423,746	$ 9,491,768

*Net pension liability from the internal service fund is reported within governmental activities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Business-type activities:					
General obligation bonds	$ 11,299,467	$ -	$ (1,430,820)	$ 9,868,647	$ 1,495,923
Certificate of obligations	6,080,000	8,320,000	(590,000)	13,810,000	690,000
Unamortized bond premium (discount)	849,666	221,576	(112,408)	958,834	-
Total bonds payable	18,229,133	8,541,576	(2,133,228)	24,637,481	2,185,923
Compensated absences	208,284	227,862	(214,573)	221,573	221,573
Net pension liability	2,751,127	23,265		2,774,392	-
Total business-type activities	$ 21,188,544	$ 8,792,703	$ (2,347,801)	$ 27,633,446	$ 2,407,496

NOTE 7. LONG-TERM DEBT – CONTINUED

Changes in Long-term Liabilities - Continued

General Obligation Bonds

Fiscal Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	$ 3,344,077	$ 757,953	$ 4,102,030	$ 1,495,923	$ 369,749	$ 1,865,672
2019	3,124,046	651,680	3,775,726	1,545,954	316,106	1,862,060
2020	3,621,207	541,161	4,162,368	1,623,793	251,607	1,875,400
2021	3,083,564	430,566	3,514,130	1,211,436	190,815	1,402,251
2022	2,848,459	325,613	3,174,072	1,271,541	138,781	1,410,322
2023-2027	6,055,000	750,556	6,805,556	2,720,000	149,075	2,869,075
2028-2032	1,685,000	68,100	1,753,100	-	-	-
Total	$ 23,761,353	$ 3,525,629	$ 27,286,982	$ 9,868,647	$ 1,416,133	$ 11,284,780

Certificate of Obligations

Fiscal Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	$ 4,350,000	$ 697,143	$ 5,047,143	$ 690,000	$ 328,709	$ 1,018,709
2019	1,905,000	531,418	2,436,418	695,000	320,480	1,015,480
2020	1,565,000	471,349	2,036,349	600,000	311,023	911,023
2021	1,620,000	418,742	2,038,742	795,000	301,034	1,096,034
2022	1,685,000	364,368	2,049,368	815,000	287,492	1,102,492
2023-2027	6,860,000	1,055,506	7,915,506	4,330,000	1,182,711	5,512,711
2028-2032	2,515,000	257,173	2,772,173	4,415,000	603,822	5,018,822
2033-2036	515,000	16,328	531,328	1,470,000	152,000	1,622,000
Total	$ 21,015,000	$ 3,812,027	$ 24,827,027	$ 13,810,000	$ 3,487,271	$ 17,297,271

Contractual Obligations

Fiscal Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	$ 179,000	$ 1,459	$ 180,459	$ -	$ -	$ -
Total	$ 179,000	$ 1,459	$ 180,459	$ -	$ -	$ -

NOTE 7. LONG-TERM DEBT – CONTINUED

Conduit Debt

Certain revenue bonds have been issued in the past to provide financial assistance to nonprofit and public entities for acquisition and construction of educational and student housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the entities served by the bonds. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2017, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was $25,360,000.

Compensated Absences

Compensated absences represent the estimated liability for employees' vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination.

NOTE 8. PENSION PLAN

A. Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

	Plan Year 2016	Plan Year 2015
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 : 1	2 : 1
Years required for vesting	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI Repeating	50% of CPI Repeating

NOTE 8. PENSION PLAN – CONTINUED

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

C. Employees Covered by Benefit Terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	131
Inactive employees entitled to but not yet receiving benefits	176
Activity employees	291
Total	598

D. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.07% and 15.65% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were $2,842,440, and were equal to the required contributions.

NOTE 8. PENSION PLAN – CONTINUED

E. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2012 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2014. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation. After the Asset Allocation Study Analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

NOTE 8. PENSION PLAN – CONTINUED

E. Net Pension Liability – Continued

At its meeting on July 30, 2016, the TMRS Board approved a new portfolio target allocation, this allocation and best estimates of real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.55%
International equity	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.65%
Real return	10.0%	4.03%
Real estate	10.0%	5.00%
Absolute return	10.0%	4.00%
Private equity	5.0%	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Allocations

The City's net pension liability, pension expense, and deferred outflows of resources related to TMRS have been allocated between governmental activities, business-type activities, and the internal service fund using a contribution-based method. The internal service fund portion of the pension activity is recorded within governmental activities at the governmental wide financial statements.

NOTE 8. PENSION PLAN – CONTINUED

E. Net Pension Liability – Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 85,837,599	$ 68,519,231	$ 17,318,368
Changes for the year:			
Service Cost	3,108,994	-	3,108,994
Interest	5,809,689	-	5,809,689
Change of benefit terms	-	-	-
Difference between expected and actual experience	(233,586)	-	(233,586)
Changes of assumptions	-	-	-
Contributions - employer	-	2,693,980	(2,693,980)
Contributions - employee	-	1,263,085	(1,263,085)
Net investment income	-	4,632,668	(4,632,668)
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(2,645,244)	(2,645,244)	-
Administrative expense	-	(52,297)	52,297
Other changes	-	(2,818)	2,818
Net Changes	6,039,853	5,889,374	150,479
Balance at 12/31/16	$ 91,877,452	$ 74,408,605	$ 17,468,847

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension (asset) liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (5.75%) or 1% higher (7.75%) that the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	$ 31,780,046	$ 17,468,847	$ 5,843,161

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at www.tmrs.com.

NOTE 8. PENSION PLAN – CONTINUED

F. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of $4,098,221.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 843,400
Changes in actuarial assumptions	667,478	-
Difference between projected and actual investment earnings	3,075,565	-
Contributions subsequent to the measurement date	2,178,052	-
Total	$ 5,921,095	$ 843,400

The $2,178,052 reported as deferred outflows of resources related to pensions result from contributions subsequent to the measurement date and will reduce the net pension liability during the fiscal year ended September 30, 2018. The other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended Sept. 30:	
2018	$ 1,012,556
2019	1,012,557
2020	877,236
2021	5,410
Thereafter	(8,116)
Total	$ 2,899,643

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City provides other postemployment benefits (OPEB) in the form of health insurance benefits through a single-employer defined benefit medical plan. Regular full-time employees retiring from the City with 20 years of service or 5 years of service if over 60, have the option to continue medical insurance coverage for themselves and their families until the retiree becomes eligible for Medicare or is eligible to be covered under another medical plan. The retired employee pays 100% of the premium. A third-party administrator is utilized to provide claims administration and payment of claims.

The Plan does not issue a separate financial report.

Funding Policy

The City has elected not to subsidize premiums and only pays for claims as they relate to the retirees on the City's health care plan. Because the cost of claims for providing health care benefits to retirees under age 65 is typically higher than the cost of claims from active employees on the health care plan, there is an implicit employer obligation from claims for retirees on the City's health care plan. Payment of health care claims from retirees on the City's health insurance plan is provided on a pay-as-you-go basis (PAYGO).

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on an open basis. The City's annual OPEB cost and net OPEB obligation (asset) for the prior three years is shown below:

	2017
Annual required contribution	$ 148,558
Interest on prior year Net OPEB obligation	23,067
Adjustment to annual required contribution	(22,472)
Annual OPEB cost	149,153
Contributions made	(40,078)
Increase (decrease) in net OPEB obligation	109,075
Net Obligation (asset) - beginning of year	576,685
Net Obligation (asset) - end of year	$ 685,760
Percentage of OPEB costs contributed	26.98%

NOTE 9. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

Funded Status and Funding Progress

The City's annual OPEB cost, the percentage of annual OPEB cost contributed on the Plan, and the net OPEB obligation for fiscal year 2017 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2015	$ 119,912	$ 36,732	30.63%	$ 480,694
9/30/2016	144,728	48,737	33.67%	576,685
9/30/2017	149,153	40,078	26.87%	685,760

As of December 31, 2015, the most recent actuarial valuation date, the Plan was 0.00 percent funded. The actuarial accrued liability for the benefits was $1,216,632, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,216,632. The annual covered payroll is $18,044,072 and the UAAL as a percentage of covered payroll is 6.74 percent.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. Key actuarial assumptions include: (a) level dollar contribution amortization method; (b) a 1.5% net real rate of investment return is used for an unfunded PAYGO basis and 4.50% on a funding policy basis; (c) actuarial value of assets is set to equal to the reported market value; (d) a sliding scale of medical inflation from 7.50% in 2016 to 4.25% by 2031 and later; and (e) general inflation assumed to be 2.50%.

NOTE 10. OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City periodically is a defendant in various lawsuits. At September 30, 2017, after consultation with the City's attorney, the City is not aware of any pending litigation.

The City contracts for garbage disposal with a third party. Under the terms of the agreement the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

NOTE 10. OTHER INFORMATION – CONTINUED

B. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City purchases commercial insurance to indemnify it in event of loss. For the past three years, settlements did not exceed coverage.

C. TMRS Supplemental Death Benefit Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other post-employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended September 30, 2017, the City offered the supplemental death benefit to both active and retired employees.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's annual required and actual contributions to the TMRS SDBF were based on .14% in fiscal years 2015 and 2016 and .13% in fiscal year 2017 of covered payroll. The actual contributions for the fiscal years ended 2017, 2016, and 2015 totaled $23,823, $26,005, and $22,676, respectively, which equaled the annual required contribution.

The rate of annual required contributions to actual contributions made as a percentage is as follows:

Fiscal Year Ended	Annual Required Contribution (Rate)	Actual Contribution (Rate)	Percentage of ARC Contributed
9/30/2015	0.14%	0.14%	100.00%
9/30/2016	0.14%	0.14%	100.00%
9/30/2017	0.13%	0.13%	100.00%

NOTE 11. TAX ABATEMENT

The City enters into economic development agreements authorized under Chapter 380 of the Texas Local Government Code. These agreements are planning tools designed to stimulate economic activity, redevelopment, community improvement, and provide a return on investment for the community. These programs abate or rebate property and/or sales taxes on investment for the incentive payments such as fee reductions or construction costs reimbursements. Economic development agreements are considered on a case-by-case basis by the City Council and generally contain recapture provisions, which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

Chapter 380 of the Texas Local Government Code allows the City to provide grants for the purpose of promoting local economic development. These grants are based on a percentage of property and/or sales tax received by the City. For the fiscal year ending September 30, 2017, the City rebated $89,364 in property taxes and $45,847 in sales taxes.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KELLER, TEXAS **EXHIBIT A-10**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	$ 15,657,897	$ 15,657,897	$ 15,681,079	$ 23,182
Sales taxes	5,813,651	5,813,651	5,945,584	131,933
Franchise fees	4,398,961	4,398,961	4,140,804	(258,157)
Mixed drink tax	168,389	168,389	147,297	(21,092)
Licenses and permits	1,689,945	1,689,945	1,166,348	(523,597)
Intergovernmental	2,867,193	2,867,193	2,897,396	30,203
Charges for services	3,030,051	3,083,181	3,363,503	280,322
Fines and forfeitures	1,046,169	1,046,169	1,294,376	248,207
Donations	34,993	34,993	60,076	25,083
Interest income	99,830	499,830	280,325	(219,505)
Miscellaneous income	66,972	66,972	167,942	100,970
Total revenues	34,874,051	35,327,181	35,144,730	(182,451)
EXPENDITURES				
Current				
Administration	2,535,808	2,581,969	2,192,434	389,535
Town Hall Operations	663,183	663,183	495,786	167,397
Mayor and Council	45,490	45,490	28,527	16,963
Finance and Municipal Court	1,374,292	1,374,292	1,348,589	25,703
Human Resources	881,620	888,589	822,653	65,936
Police Department	9,135,620	9,135,620	8,773,252	362,368
Fire Department	7,713,778	8,013,778	7,504,399	509,379
Street Maintenance	3,403,671	3,323,671	2,962,932	360,739
Library	1,521,708	1,521,708	1,391,904	129,804
Parks and Recreation	3,636,030	3,606,030	3,469,949	136,081
Economic Development	1,264,286	1,264,286	460,035	804,251
Community Development	1,541,413	1,541,413	1,362,280	179,133
Total expenditures	33,716,899	33,960,029	30,812,740	3,147,289
Excess of revenues over expenditures	1,157,152	1,367,152	4,331,990	2,964,838
OTHER FINANCING SOURCES (USES)				
Transfers out	(300,000)	(480,000)	(480,000)	-
Proceeds from sale of property	-	-	30,961	30,961
Total other financing sources (uses)	(300,000)	(480,000)	(449,039)	30,961
Net change in fund balances	857,152	887,152	3,882,951	2,995,799
Fund balances, October 1	12,894,348	12,894,348	12,894,348	-
Fund balances, September 30	$ 13,751,500	$ 13,781,500	$ 16,777,299	$ 2,995,799

CITY OF KELLER, TEXAS **EXHIBIT A-11**
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
CRIME CONTROL PREVENTION DISTRICT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Sales Taxes	$ 1,309,978	$ 1,309,978	$ 1,407,984	$ 98,006
Intergovernmental	20,000	20,000	40,000	20,000
Interest income	9,380	9,380	60,176	50,796
Total revenues	1,339,358	1,339,358	1,508,160	168,802
EXPENDITURES				
Current:				
Police Department	522,664	522,664	495,049	27,615
Debt service:				
Principal	340,000	340,000	340,000	-
Interest and other charges	186,100	186,100	184,350	1,750
Total expenditures	1,048,764	1,048,764	1,019,399	29,365
Excess of revenues over expenditures	290,594	290,594	488,761	198,167
Other financing sources				
Proceeds from sale of capital assets	10,000	10,000	39,243	29,243
Total other financing sources	10,000	10,000	39,243	29,243
Net change in fund balances	300,594	300,594	528,004	227,410
Fund balances, October 1	3,653,673	3,653,673	3,653,673	-
Fund balances, September 30	$ 3,954,267	$ 3,954,267	$ 4,181,677	$ 227,410

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows the following procedures in establishing the budgetary date reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.

2. Prior to October 1, the budget is legally enacted through passage of an ordinance.

3. The City Council must authorize amendments to budgeted amounts between departments within any fund. Therefore the department level is the legal level of control and budget to actual expenditure comparisons is reported at the department level.

4. All transfers to and from budgeted funds must be approved by the City Council.

5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2017, individual amendments were not material in relation to the original appropriations for expenditures. All budget appropriations automatically lapse at year-end.

6. Formal budgetary integration is employed as a management control device during the year. The legally adopted budget is adopted on a basis consistent with generally accepted accounting principles.

CITY OF KELLER, TEXAS **EXHIBIT A-12**
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE MEASUREMENT YEARS
(UNAUDITED)

	Measurement Year 2016*	Measurement Year 2015*	Measurement Year 2014
Total pension liability:			
Service cost	$ 3,108,994	$ 2,979,303	$ 2,982,697
Interest	5,809,689	5,555,939	5,216,622
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(233,586)	(270,677)	(993,549)
Change in assumptions	-	1,065,970	-
Benefit payments, including refunds of employee contributions	(2,645,244)	(2,747,691)	(1,953,842)
Net change in total pension liability	6,039,853	6,582,844	5,251,928
Total pension liability - beginning	85,837,599	79,254,755	74,002,827
Total pension liability - ending (a)	91,877,452	85,837,599	79,254,755
Plan fiduciary net position:			
Contributions - employer	2,693,980	2,732,236	2,678,823
Contributions - employee	1,263,085	1,233,387	1,223,684
Net investment income	4,632,668	99,266	3,537,194
Benefit payments, including refunds of employee contributions	(2,645,244)	(2,747,691)	(1,953,842)
Administrative expense	(52,297)	(60,456)	(36,922)
Other	(2,818)	(2,987)	(3,036)
Net change in plan fiduciary net position	5,889,374	1,253,755	5,445,901
Plan fiduciary net position - beginning	68,519,231	67,265,476	61,819,575
Plan fiduciary net position - ending (b)	74,408,605	68,519,231	67,265,476
Net pension liability - ending (a) - (b)	$ 17,468,847	$ 17,318,368	$ 11,989,279
Plan fiduciary net position as a percentage of total pension liability	80.99%	79.82%	84.87%
Covered employee payroll	$ 18,044,073	$ 17,556,292	$ 17,462,991
Net pension liability as a percentage of covered employee payroll	96.81%	98.64%	68.66%

Note: Only three years of data is presented in accordance with GASB #68. Paragraph 138. “The information for all period for the 10-year schedules that are required to be presented as required supplementary information may be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with requirements of this statement. Additional years’ information will be displayed as it becomes available.”

CITY OF KELLER, TEXAS **EXHIBIT A-13**
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST THREE FISCAL YEARS
(UNAUDITED)

	Fiscal Year 2017*	Fiscal Year 2016	Fiscal Year 2015
Actuarially determined contribution	$ 2,842,339	$ 2,828,969	$ 2,711,603
Contribution in relation of the actuarially determined contribution	2,842,339	2,828,969	2,711,603
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 18,325,278	$ 18,575,332	$ 17,520,409
Contributions as a percentage of covered employee payroll	15.51%	15.23%	15.48%

Note: GASB #68, paragraph 81.2.b requires that the data in this schedule be presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

Note: Only three years of data is presented in accordance with GASB #68. Paragraph 138. "The information for all period for the 10-year schedules that are required to be presented as required supplementary information may be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with requirements of this statement. Additional years' information will be displayed as it becomes available."

CITY OF KELLER, TEXAS
NOTES TO TEXAS MUNICIPAL RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

VALUATION DATE:

Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and one day later.

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other information: There were no benefit changes during the year.

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COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES

CITY OF KELLER, TEXAS **EXHIBIT A-14**
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
GENERAL OBLIGATION DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual	Positive (Negative)
REVENUES				
Ad valorem taxes	$ 5,815,028	$ 5,815,028	$ 5,820,475	$ 5,447
Interest income	13,052	13,052	24,758	11,706
Total revenues	5,828,080	5,828,080	5,845,233	17,153
EXPENDITURES				
Debt service				
Principal	2,984,440	2,984,440	2,985,180	(740)
Interest and fiscal charges	2,166,170	2,166,170	1,134,057	1,032,113
Total debt service	5,150,610	5,150,610	4,119,237	1,031,373
Excess of revenue over expenditures	677,470	677,470	1,725,996	1,048,526
Other financing sources (uses):				
Transfers out	(449,972)	(449,972)	(252,507)	197,465
Issuance of bonds	7,350,000	7,350,000	7,350,000	-
Premium on bonds issued	641,513	641,513	641,513	-
Payments to escrow agent	(7,872,097)	(7,872,097)	(7,872,097)	-
Total other financing sources (uses)	(330,556)	(330,556)	(133,091)	197,465
Net change in fund balances	346,914	346,914	1,592,905	1,245,991
Fund balances, October 1	381,478	381,478	381,478	-
Fund balances, September 30	$ 728,392	$ 728,392	$ 1,974,383	$ 1,245,991

CITY OF KELLER, TEXAS **EXHIBIT A-15**
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
TIF #1 INTEREST AND SINKING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 4,811,992	$ 4,811,992	$ 4,630,575	$ (181,417)
Interest income	107,384	107,384	48,417	(58,967)
Total revenues	4,919,376	4,919,376	4,678,992	(240,384)
EXPENDITURES				
Debt service				
Principal	2,530,000	7,530,000	7,530,000	-
Interest and other charges	437,192	437,192	440,563	(3,371)
Total expenditures	2,967,192	7,967,192	7,970,563	(3,371)
Excess (deficiency) of revenues over (under) expenditures	1,952,184	(3,047,816)	(3,291,571)	(243,755)
Other financing sources				
Transfers in	407,320	407,320	407,320	-
Total other financing sources	407,320	407,320	407,320	-
Net change in fund balances	2,359,504	(2,640,496)	(2,884,251)	(243,755)
Fund balances, October 1	3,319,173	3,319,173	3,319,173	-
Fund balances, September 30	$ 5,678,677	$ 678,677	$ 434,922	$ (243,755)

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

LIBRARY FUND
This fund accounts for public donations and revenues designed for Library improvements.

MUNICIPAL COURT FUND
This fund accounts for technology and building security fees collected from Municipal Court citations. Expenditures from these fees are specifically designated by state law.

PUBLIC SAFETY FUND
This fund accounts for revenues derived from forfeiture and seizure of assets resulting from illegal narcotic activity. Expenditures are restricted for the Police Department to be used in illegal narcotic enforcement.

PUBLIC ART FUND
This fund is to account for contributions, donations, and other resources that are dedicated for specific uses or purposes.

PUBLIC INFORMATION AND BROADCASTING
This fund is used to account for revenue received from PEG fees and expenditures to enhance public communication.

TREE RESTORATION FUND
This fund accounts for public donations and charges for services designed for Library preservation of trees throughout the City.

KELLER DEVELOPMENT CORPORATION FUND
This fund is used to account for collection of sales and use taxes for the payment of bonds or other forms of indebtedness to finance the cost of Keller parks.

CAPITAL PROJECT FUNDS

ROADWAY IMPACT FEES FUND
This fund is used to account for revenues that are restricted for roadway improvements. Authorized expenditures include improvements and engineering.

PARK DEVELOPMENT FEE FUND
This fund is used to account for resources received primarily from park development fees and expenditures to specific park improvements.

STREET/SIDEWALK IMPROVEMENTS FUND
This fund is used to account for revenues that are restricted for street and sidewalk improvements. Authorized expenditures include improvements and engineering.

PARKS CAPITAL IMPROVEMENT FUND
This fund is to account for acquisition or construction of capital assets.

CITY OF KELLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Special Revenue Funds					
	Library	Municipal Court	Public Safety	Public Art	Public Information and Broadcasting	Tree Restoration
ASSETS						
Cash and investments	$ 60,037	$ 205,812	$ 148,525	$ 77,270	$ 445,860	$ 104,762
Receivables: (net of allowances for uncollectibles)						
Sales taxes	-	-	-	-	35,826	-
Accounts	-	1,022			-	-
Other	727	406	4,261	39	733	-
Due from other governments	-	1,521	2,022	-	-	-
Total assets	$ 60,764	$ 208,761	$ 154,808	$ 77,309	$ 482,419	$ 104,762
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Accounts payable	$ 1,928	$ 11,080	$ 5,521	$ -	$ 49,855	$ -
Other payables and accruals	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	4,363	-	-	-
Total liabilities	1,928	11,080	9,884	-	49,855	-
DEFERRED INFLOWS OF RESOURCES:						
Unavailable resources	-	1,022	-	-	-	-
Total deferred inflows of resources	-	1,022	-	-	-	-
FUND BALANCES						
Restricted						
Capital Projects	-	-	-	-	-	-
Park Development	-	-	-	-	-	-
Municipal court	-	196,659	-	-	-	-
Law Enforcement	-	-	144,924	-	-	-
Recreation and Cultural	58,836	-	-	77,309	-	104,762
Public information and broadcasting	-	-	-	-	432,564	-
Total fund balances	58,836	196,659	144,924	77,309	432,564	104,762
Total liabilities and deferred inflows of resources and fund balances	$ 60,764	$ 208,761	$ 154,808	$ 77,309	$ 482,419	$ 104,762

EXHIBIT B-1

Special Revenue Fund	Capital Projects				
Keller Development Corporation	Roadway Impact Fee	Park Development Fee	Street/ Sidewalk Improvements	Parks Capital Improvements	Total Nonmajor Governmental Funds
$ 3,088,133	$ 6,859,894	$ 210,901	$ 188,303	$ 2,326,262	$ 13,715,759
488,935	-	-	243,746	-	768,507
9,709	-	-	-	-	10,731
2,574	6,884	46	-	-	15,670
-	-	-	-	-	3,543
$ 3,589,351	$ 6,866,778	$ 210,947	$ 432,049	$ 2,326,262	$ 14,514,210
$ -	$ -	$ -	$ 3,827	$ 22,127	$ 94,338
4,195	-	-	-	-	4,195
-	-	-	-	1,021,980	1,021,980
-	-	-	-	-	4,363
4,195	-	-	3,827	1,044,107	1,124,876
-	-	-	-	-	1,022
-	-	-	-	-	1,022
-	6,866,778	210,947	428,222	1,282,155	8,788,102
3,585,156	-	-	-	-	3,585,156
-	-	-	-	-	196,659
-	-	-	-	-	144,924
-	-	-	-	-	240,907
-	-	-	-	-	432,564
3,585,156	6,866,778	210,947	428,222	1,282,155	13,388,312
$ 3,589,351	$ 6,866,778	$ 210,947	$ 432,049	$ 2,326,262	$ 14,514,210

CITY OF KELLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds					
	Library	Municipal Court	Public Safety	Public Art	Public Information and Broadcasting	Tree Restoration
REVENUES						
Sales taxes	$ -	$ -	$ -	$ -	$ -	$ -
Franchise taxes	-	-	-	-	146,862	-
Permits, licenses, and fees	-	-	-	-	-	-
Intergovernmental			121,435	1,045	-	-
Charges for services	3,225	-	-	48,020	-	172,871
Fines and forfeitures	-	150,739	-	-	-	-
Special assessments and impact fees	-	-	-	-	-	-
Donations	54,174	-	18,738	-	-	-
Interest income	622	1,723	1,383	612	6,438	-
Miscellaneous income	-	-	6,516	1,151	-	-
Total revenues	58,021	152,462	148,072	50,828	153,300	172,871
EXPENDITURES						
Current:						
General government	-	95,500	-	10,117	322,228	-
Public safety	-	-	71,211	-	-	-
Public works	-	-	-	-	-	-
Community development	-	-	-	-	-	68,109
Recreation and cultural	41,828	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	41,828	95,500	71,211	10,117	322,228	68,109
Excess (deficiency) of revenues over (under) expenditures	16,193	56,962	76,861	40,711	(168,928)	104,762
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	16,193	56,962	76,861	40,711	(168,928)	104,762
Fund balances, October 1	42,643	139,697	68,063	36,598	601,492	-
Fund balances, September 30	$ 58,836	$ 196,659	$ 144,924	$ 77,309	$ 432,564	$ 104,762

EXHIBIT B-2

Special Revenue Fund	Capital Projects Funds				
Keller Development Corporation	Roadway Impact Fee	Park Development Fee	Street/ Sidewalk Improvements	Parks Capital Improvements	Total Nonmajor Governmental Funds
$ 2,972,792	$ -	$ -	$ 1,486,396	$ -	$ 4,459,188
-	-	-	-	-	146,862
-	-	51,709	-	-	51,709
-	-	-	-		122,480
-	-	-	-	-	224,116
-	-	-	-	-	150,739
-	441,953	-	26,389	-	468,342
-	-	-	-	-	72,912
37,514	80,825	4,947	13,926	21,824	169,814
16,000	-	-	-	-	23,667
3,026,306	522,778	56,656	1,526,711	21,824	5,889,829
-	-	-	-	-	427,845
-	-	-	-	-	71,211
-	-	-	86,248	1,407	87,655
67,984	-	-	-	-	136,093
-	-		-	-	41,828
-	-	13,958	-	380,069	394,027
1,245,000	-	-	-	-	1,245,000
332,769	-	-	-	-	332,769
1,645,753	-	13,958	86,248	381,476	2,736,428
1,380,553	522,778	42,698	1,440,463	(359,652)	3,153,401
-	-	-	-	420,000	420,000
(420,000)	-	-	(1,075,000)	-	(1,495,000)
(420,000)	-	-	(1,075,000)	420,000	(1,075,000)
960,553	522,778	42,698	365,463	60,348	2,078,401
2,624,603	6,344,000	168,249	62,759	1,221,807	11,309,911
$ 3,585,156	$ 6,866,778	$ 210,947	$ 428,222	$ 1,282,155	$ 13,388,312

CITY OF KELLER, TEXAS **EXHIBIT C-1**
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
LIBRARY FUND
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	$ 2,562	$ 2,562	$ 3,225	$ 663
Donations	17,500	17,500	54,174	36,674
Interest income	560	560	622	62
Total revenues	20,622	20,622	58,021	37,399
EXPENDITURES				
Current				
Library	17,500	17,500	41,828	(24,328)
Total expenditures	17,500	17,500	41,828	(24,328)
Net change in fund balances	3,122	3,122	16,193	13,071
Fund balances, October 1	42,643	42,643	42,643	-
Fund balances, September 30	$ 45,765	$ 45,765	$ 58,836	$ 13,071

CITY OF KELLER, TEXAS **EXHIBIT C-2**
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
MUNICIPAL COURT FUND
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	$ 113,837	$ 113,837	$ 150,739	$ 36,902
Interest income	2,440	2,440	1,723	(717)
Total revenues	116,277	116,277	152,462	36,185
EXPENDITURES				
Current				
Finance Department and Municipal Court	145,792	145,792	95,500	50,292
Total expenditures	145,792	145,792	95,500	50,292
Net change in fund balances	(29,515)	(29,515)	56,962	86,477
Fund balances, October 1	139,697	139,697	139,697	-
Fund balances, September 30	$ 110,182	$ 110,182	$ 196,659	$ 86,477

CITY OF KELLER, TEXAS **EXHIBIT C-3**
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
KELLER DEVELOPMENT CORPORATION
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Sales taxes	$ 2,906,826	$ 2,906,826	$ 2,972,792	$ 65,966
Interest income	4,380	4,380	37,514	33,134
Miscellaneous income	16,000	16,000	16,000	-
Total revenues	2,927,206	2,927,206	3,026,306	99,100
EXPENDITURES				
Current				
Parks and Recreation	494,390	74,390	67,984	6,406
Debt service				
Principal	1,245,000	1,245,000	1,245,000	-
Interest and other charges	333,469	333,469	332,769	700
Total expenditures	2,072,859	1,652,859	1,645,753	7,106
Excess of revenues over expenditures	854,347	1,274,347	1,380,553	106,206
Other financing sources (uses)				
Transfers (out)	-	(420,000)	(420,000)	-
Total other financing sources (uses)	-	(420,000)	(420,000)	-
Net change in fund balances	854,347	854,347	960,553	106,206
Fund balances, October 1	2,624,603	2,624,603	2,624,603	-
Fund balances, September 30	$ 3,478,950	$ 3,478,950	$ 3,585,156	$ 106,206

CITY OF KELLER, TEXAS **EXHIBIT C-4**
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
STREET/SIDEWALK IMPROVEMENT FUND
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMEBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Sales taxes	$ 1,453,413	$ 1,453,413	$ 1,486,396	$ 32,983
Special assessments and impact fees	46,430	46,430	26,389	(20,041)
Interest income	18,454	18,454	13,926	(4,528)
Total revenues	1,518,297	1,518,297	1,526,711	8,414
EXPENDITURES				
Current				
Street Maintenance	110,000	110,000	86,248	23,752
Total expenditures	110,000	110,000	86,248	23,752
Net change in fund balances	1,408,297	1,408,297	1,440,463	32,166
Other financing sources (uses)				
Transfers (out)	(1,075,000)	(1,075,000)	(1,075,000)	-
Total other financing sources (uses)	(1,075,000)	(1,075,000)	(1,075,000)	-
Net change in fund balances	333,297	333,297	365,463	32,166
Fund balances, October 1	62,759	62,759	62,759	-
Fund balances, September 30	$ 396,056	$ 396,056	$ 428,222	$ 32,166

NONMAJOR INTERNAL SERVICE FUNDS

INFORMATION TECHNOLOGY FUND
This fund is used to account for replacement costs of City owned computer equipment/software.

EQUIPMENT REPLACEMENT FUND
This fund is used to account for maintenance and replacement costs of City owned vehicles and heavy equipment.

CITY OF KELLER, TEXAS **EXHIBIT D-1**
STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2017

	Information Technology	Equipment Replacement	Total Internal Service Funds
ASSETS			
Current assets			
Cash and investments	$ 1,052,707	$ 1,979,520	$ 3,032,227
Accounts receivables		-	-
Interest receivable	1,036	1,378	2,414
Due from other funds			-
Inventories, at cost			-
Prepaid items	1,953	-	1,953
Total current assets	1,055,696	1,980,898	3,036,594
Non-current assets			
Capital assets:			
Machinery and equipment	5,156,775	4,904,900	10,061,675
Accumulated depreciation	(4,402,409)	(2,617,800)	(7,020,209)
Total capital assets (net of accumulated depreciation)	754,366	2,287,100	3,041,466
Total assets	1,810,062	4,267,998	6,078,060
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	163,994	-	163,994
Total deferred outflows of resources	163,994	-	163,994
LIABILITIES			
Current liabilities:			
Accounts payable	47,355	-	47,355
Other payables and accruals	29,184	-	29,184
Total current liabilities	76,539	-	76,539
Non-current liabilities:			
Net pension liability	484,567	-	484,567
Total noncurrent liabilities	484,567	-	484,567
Total liabilities	561,106	-	561,106
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	23,387	-	23,387
Total deferred inflows of resources	23,387	-	23,387
NET POSITION			
Net investment in capital assets	754,366	2,287,100	3,041,466
Unrestricted	635,197	1,980,898	2,616,095
Total net position	$ 1,389,563	$ 4,267,998	$ 5,657,561

CITY OF KELLER, TEXAS **EXHIBIT D-2**
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Information Technology	Equipment Replacement	Total Internal Service Funds
OPERATING REVENUES			
Fees	$ 2,012,760	$ 715,888	$ 2,728,648
Total operating revenues	2,012,760	715,888	2,728,648
OPERATING EXPENSES			
Personnel	777,050	-	777,050
Supplies and maintenance	296,051	-	296,051
Services and other	609,507	203,916	813,423
Depreciation and amortization	463,791	426,791	890,582
Total operating expenses	2,146,399	630,707	2,777,106
Operating income (loss)	(133,639)	85,181	(48,458)
NON-OPERATING REVENUES (EXPENSES)			
Investment revenue	9,728	13,433	23,161
Gain on sale of property	3,866	21,275	25,141
Total non-operating revenues (expenses)	13,594	34,708	48,302
Net income (loss) before transfers and contributions	(120,045)	119,889	(156)
TRANSFERS AND CONTRIBUTIONS			
Transfers in	-	440,010	440,010
Transfers out	(1,285)	-	(1,285)
Total transfers and contributions	(1,285)	440,010	438,725
Change in net position	(121,330)	559,899	438,569
Net position, October 1	1,510,893	3,708,099	5,218,992
Net position, September 30	$ 1,389,563	$ 4,267,998	$ 5,657,561

CITY OF KELLER, TEXAS **EXHIBIT D-3**
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Information Technology	Equipment Replacement	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 2,013,138	$ 715,772	$ 2,728,910
Cash payments to employees for services	(736,388)	-	(736,388)
Cash payments to other suppliers for goods and services	(923,080)	(203,916)	(1,126,996)
Net cash provided by operating activities	353,670	511,856	865,526
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	440,010	440,010
Transfers to other funds	(1,285)	-	(1,285)
Net cash provided by (used in) non-capital financing activities	(1,285)	440,010	438,725
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition or construction of capital assets	(211,090)	(274,566)	(485,656)
Proceeds from sale of capital assets	3,866	21,275	25,141
Net cash used in capital and related financing activities	(207,224)	(253,291)	(460,515)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase or sale of investments	146,251	14,934	161,185
Interest and dividends on investments	9,728	13,433	23,161
Net cash provided by investing activities	155,979	28,367	184,346
Net increase in cash and cash equivalents	301,140	726,942	1,028,082
Cash and cash equivalents at begininng of year	429,533	386,563	816,096
Cash and cash equivalents at end of year	$ 730,673	$ 1,113,505	$ 1,844,178
RECONCILIATION TO STATEMENT OF NET POSITION			
Cash and cash equivalents	$ 730,673	$ 1,113,505	$ 1,844,178
Restricted and unrestricted investments	322,034	866,015	1,188,049
Total cash and investments	$ 1,052,707	$ 1,979,520	$ 3,032,227
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	$ (133,639)	$ 85,181	$ (48,458)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	463,791	426,791	890,582
Effects of changes in assets and liabilities:			
Decrease (increase) in receivables	388	-	388
Decrease (increase) in inventories and prepaid items	(1,614)	-	(1,614)
Decrease (increase) in interest receivables	(10)	(116)	(126)
Decrease (increase) in deferred outflows	32,475	-	32,475
Increase (decrease) in accounts payable	(15,908)	-	(15,908)
Increase (decrease) in other payables and accruals	4,862	-	4,862
Increase (decrease) in pension liability	4,205	-	4,205
Increase (decrease) in deferred inflows	(880)	-	(880)
Total adjustments	487,309	426,675	913,984
Net cash provided by operating activities	$ 353,670	$ 511,856	$ 865,526

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STATISTICAL SECTION

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CITY OF KELLER, TEXAS
STATISTICAL SECTION
TABLE OF CONTENTS

This part of the City of Keller's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents — Table #s

Financial Trends — **1-5**
These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity — **6-14**
These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.

Debt Capacity — **15-19**
These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Economic and Demographic Information — **20-21**
These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information — **22-24**
These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.

Source: Unless otherwise noted, the information in these labels is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003: tables pressing government-wide information include information beginning in that year.

CITY OF KELLER, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2008	2009	2010	2011
Governmental Activities				
Net Investment in Capital Assets	$ 74,502,492	$ 70,395,104	$ 71,137,063	$ 75,942,510
Restricted	10,921,916	10,502,026	10,707,393	17,554,282
Unrestricted	7,002,508	9,709,689	12,066,456	7,784,575
Total Governmental Activities Net Position	$ 92,426,916	$ 90,606,819	$ 93,910,912	$ 101,281,367
Business-type Activities				
Net Investment in Capital Assets	$ 58,364,350	$ 59,189,455	$ 58,426,495	$ 61,139,904
Restricted	9,453,952	9,453,952	9,287,306	9,453,952
Unrestricted	8,190,132	7,658,655	8,006,813	9,177,880
Total Business-type Activities Net Position	$ 76,008,434	$ 76,302,062	$ 75,720,614	$ 79,771,736
Primary Government				
Net Investment in Capital Assets	$132,866,842	$129,584,559	$ 129,563,558	$ 137,082,414
Restricted	20,375,868	19,955,978	19,994,699	27,008,234
Unrestricted	15,192,640	17,368,344	20,073,269	16,962,455
Total Primary Government Net Position	$168,435,350	$166,908,881	$ 169,631,526	$ 181,053,103

Note: The City began to report pension liability after implementing GASB Statement 68 in fiscal year 2015.

TABLE 1

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 77,053,091	$ 81,997,316	$ 96,268,556	$ 94,005,152	$100,930,811	$ 97,480,242
20,931,028	22,640,243	22,061,750	29,873,687	32,312,302	32,049,412
10,160,534	9,007,099	7,672,607	2,960,576	3,568,719	6,876,625
$108,144,653	$113,644,658	$126,002,913	$126,839,415	$136,811,832	$136,406,279
$ 60,610,385	$ 60,654,886	$ 58,172,320	$ 61,280,272	$ 63,273,352	$ 76,865,272
8,219,575	8,219,575	7,781,518	1,169,197	4,777,236	17,275,318
11,001,160	11,139,589	18,030,492	17,251,401	11,509,850	1,127,163
$ 79,831,120	$ 80,014,050	$ 83,984,330	$ 79,700,870	$ 79,560,438	$ 95,267,753
$137,663,476	$142,652,202	$154,440,876	$155,285,424	$164,204,163	$174,345,514
29,150,603	30,859,818	29,843,268	31,042,884	37,089,538	49,324,730
21,161,694	20,146,688	25,703,099	20,211,977	15,078,569	8,003,788
$187,975,773	$193,658,708	$209,987,243	$206,540,285	$216,372,270	$231,674,032

CITY OF KELLER, TEXAS
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental Activities:				
General Government	$ 5,630,782	$ 7,413,655	$ 7,389,603	$ 7,618,197
Public Safety	13,969,085	14,740,695	14,258,649	17,358,623
Public Works	9,067,983	8,260,487	7,189,802	2,560,006
Community Development	1,291,819	1,161,434	1,100,186	1,183,353
Recreation and Leisure	8,592,564	9,483,618	7,546,936	4,866,264
Interest and Fiscal Charges	3,794,400	3,723,887	3,790,680	3,632,289
Total Governmental Activities Expenses	42,346,633	44,783,776	41,275,856	37,218,732
Business-type Activities				
Water and Wastewater utilities	15,056,060	15,146,621	15,214,564	17,807,093
Drainage Utility	1,839,441	1,869,860	1,972,553	1,987,027
Recreation / Aquatic Center	-	-	-	2,854,913
Total Business-type Activities Expenses	16,895,501	17,016,481	17,187,117	22,649,033
Total Primary Government Expenses	$ 59,242,134	$ 61,800,257	$ 58,462,973	$ 59,867,765
Program Revenues				
Governmental Activities:				
Charges for Services:				
Public Works	$ 42,787	$ 15,200	$ 11,354	$ 35,207
Recreation and Leisure	3,247,187	3,172,091	3,166,420	329,768
Other Activities	3,957,986	3,215,505	3,622,406	3,442,865
Operating Grants and Contributions	2,483,052	2,400,191	2,358,986	5,300,350
Capital Grants and Contributions	6,297,308	497,454	445,168	630,960
Total Governmental Activities Program Revenues	16,028,320	9,300,441	9,604,334	9,739,150
Business-type Activities:				
Charges for Services:				
Water and Wastewater Utilities	18,403,123	17,785,742	17,301,977	21,461,471
Drainage Utility	891,424	929,902	1,507,699	1,484,183
Recreation / Aquatic Center	-	-	-	3,002,013
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	5,351,853	1,332,860	1,517,538	3,902,205
Total Business-type Activities Program Revenues	24,646,400	20,048,504	20,327,214	29,849,872
Total Primary Government Programs Revenues	$ 40,674,720	$ 29,348,945	$ 29,931,548	$ 39,589,022
Net (Expense)/Revenue				
Governmental Activities	$ (26,318,313)	$ (35,483,335)	$ (31,671,522)	$ (27,479,582)
Business-type Activities	7,750,899	3,032,023	3,140,097	7,200,839
Total Primary Goevernment Net Expense	$ (18,567,414)	$ (32,451,312)	$ (28,531,425)	$ (20,278,743)

Note: The City began to report pension liability after implementing GASB Statement 68 in fiscal year 2015.

TABLE 2

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 7,470,050	$ 7,973,740	$ 7,011,362	$ 9,224,860	$ 6,606,428	$ 6,592,982
18,753,263	19,415,960	16,756,956	20,941,821	20,789,609	21,542,266
2,823,250	2,981,588	2,490,468	3,138,376	5,715,323	4,289,043
1,283,179	1,425,851	1,357,417	1,870,887	3,073,034	2,387,006
5,125,705	5,345,157	4,938,515	5,855,468	6,130,399	6,457,773
3,213,594	3,277,731	2,882,936	1,841,830	2,068,775	2,027,789
38,669,041	40,420,027	35,437,654	42,873,242	44,383,568	43,296,859
16,757,059	17,055,816	18,496,707	20,294,433	23,446,287	23,661,400
2,054,396	2,004,342	2,040,218	2,172,976	2,391,244	2,352,482
2,892,151	3,080,094	2,669,471	2,600,639	3,041,177	3,357,215
21,703,606	22,140,252	23,206,396	25,068,048	28,878,708	29,371,097
$ 60,372,647	$ 62,560,279	$ 58,644,050	$ 67,941,290	$ 73,262,276	$ 72,667,956
$ 39,828	$ 56,267	$ 79,719	$ 82,024	$ 93,881	$ 105,136
283,440	628,121	915,060	544,882	566,112	453,852
3,501,127	4,004,921	4,891,778	4,334,299	6,081,145	5,629,579
2,301,766	2,751,993	3,590,362	3,373,672	3,878,523	3,620,161
3,969,333	1,117,756	251,533	285,924	1,881,643	1,242,726
10,095,494	8,559,058	9,728,452	8,620,801	12,501,304	11,051,454
20,316,352	20,518,382	21,546,501	21,483,165	20,659,409	26,261,738
1,505,930	1,540,590	1,569,419	1,610,683	1,633,244	1,441,816
3,026,909	3,087,021	3,029,667	2,982,350	3,095,309	3,408,147
-	-	-	-	-	53,222
294,957	1,010,366	4,977,753	1,243,665	3,994,015	2,012,753
25,144,148	26,156,359	31,123,340	27,319,863	29,381,977	33,177,676
$ 35,239,642	$ 34,715,417	$ 40,851,792	$ 35,940,664	$ 41,883,281	$ 44,229,130
$ (28,573,547)	$ (31,860,969)	$ (25,709,202)	$ (34,252,441)	$ (31,882,264)	$ (32,245,405)
3,440,542	4,016,107	7,916,944	2,251,815	503,269	3,806,579
$ (25,133,005)	$ (27,844,862)	$ (17,792,258)	$ (32,000,626)	$ (31,378,995)	$ (28,438,826)

CITY OF KELLER, TEXAS
GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2008	2009	2010	2011
Net (Expense)/Revenue				
Governmental Activities	$ (26,318,313)	$ (35,483,335)	$ (31,671,522)	$ (27,479,582)
Business-type Activities	7,750,899	3,032,023	3,140,097	7,200,839
Total Primary Government Net Expense	(18,567,414)	(32,451,312)	(28,531,425)	(20,278,743)
Governmental Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Property Taxes	17,325,312	19,156,565	20,250,125	19,794,916
Sales Taxes	8,654,735	8,045,471	7,939,671	8,087,781
Franchise Taxes	2,579,383	2,520,961	2,788,527	2,988,616
Mixed Beverage	52,475	55,350	60,935	64,242
Unrestricted Investment Earnings	859,258	565,181	232,082	280,809
Miscellaneous Income	65,260	128,425	292,685	295,808
Gain (loss) on disposal of capital assets	26,973	-	-	-
Litigation Settlement		-	-	-
Transfers	3,185,538	3,191,285	3,411,590	3,652,445
Total Governmental Activities	32,748,934	33,663,238	34,975,615	35,164,617
Business-type Activities:				
Investment Earnings	611,410	395,290	92,367	137,567
Miscellaneous Revenue (Expense)	37,408	40,255	30,943	59,619
Gain (loss) on sale of capital assets	67,003.00	17,345.00	(433,265.00)	-
Transfers	(3,185,538)	(3,191,285)	(3,411,590)	(3,661,483)
Total Business-type Activities	(2,469,717)	(2,738,395)	(3,721,545)	(3,464,297)
Total Primary Government	$ 30,279,217	$ 30,924,843	$ 31,254,070	$ 31,700,320
Change in Net Position				
Governmental Activities	$ 6,430,621	$ (1,820,097)	$ 3,304,093	$ 7,685,035
Business-type Activities	5,281,182	293,628	(581,448)	3,736,542
Total Primary Government	$ 11,711,803	$ (1,526,469)	$ 2,722,645	$ 11,421,577

Note: The city began to report pension liability after implementing GASB Statement 68 in fiscal year 2015.

TABLE 3

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ (28,573,547)	$ (31,860,969)	$ (25,709,202)	$ (34,252,441)	$ (31,882,264)	$ (32,245,405)
3,440,542	4,016,107	7,916,944	2,251,815	503,269	3,806,579
(25,133,005)	(27,844,862)	(17,792,258)	(32,000,626)	(31,378,995)	(28,438,826)
20,036,667	20,691,721	21,526,556	22,777,252	24,046,908	26,040,551
8,615,790	9,184,887	9,817,716	10,660,047	11,312,683	11,812,756
2,830,981	2,850,968	3,157,388	3,421,518	4,369,222	4,287,666
61,567	92,029	128,832	192,912	176,434	147,297
192,931	153,767	180,677	160,938	153,866	733,658
270,763	295,807	240,932	164,711	208,575	286,954
18,508	104,855	98,274	15,891	727,056	-
-	-	-	-	-	-
3,549,470	3,986,940	3,826,555	3,342,990	859,937	(11,469,030)
35,576,677	37,360,974	38,976,930	40,736,259	41,854,681	31,839,852
122,036	102,252	121,260	80,990	61,385	297,571
46,276	51,511	42,688	54,614	153,955	134,135
-	-	-	-	896	-
(3,549,470)	(3,986,940)	(3,826,555)	(3,342,990)	(859,937)	11,469,030
(3,381,158)	(3,833,177)	(3,662,607)	(3,207,386)	(643,701)	11,900,736
$ 32,195,519	$ 33,527,797	$ 35,314,323	$ 37,528,873	$ 41,210,980	$ 43,740,588
$ 7,003,130	$ 5,500,005	$ 13,267,728	$ 6,483,818	$ 9,972,417	$ (405,553)
59,384	182,930	4,254,337	(955,571)	(140,432)	15,707,315
$ 7,062,514	$ 5,682,935	$ 17,522,065	$ 5,528,247	$ 9,831,985	$ 15,301,762

CITY OF KELLER, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2008	2009	2010	2011
General Fund				
Reserved	$ 505,169	$ 713,187	$ 852,300	$ -
Nonspendable	-	-	-	437,749
Assigned	-	-	-	655,573
Unreserved	7,779,047	8,356,777	9,951,738	-
Unassigned	-	-	-	11,596,853
Total General Fund	$ 8,284,216	$ 9,069,964	$ 10,804,038	$ 12,690,175
All Other Governmental Funds				
Reserved				
Debt Service	$ 1,020,122	$ 752,552	$ 626,785	$ -
Other	9,350,456	10,279,593	7,004,255	-
Unreserved, Reported in:				
Special Revenue Funds	3,019,066	8,529,094	12,737,304	-
Capital Projects Funds	(2,501,535)	(3,001,569)	584,935	-
Assigned	-	-	-	-
Nonspendable	-	-	-	1,251
Restricted				
Debt service	-	-	-	564,353
Capital Projects	-	-	-	12,410,163
Other	-	-	-	4,579,766
Unassigned	-	-	-	-
Total All Other Governmental Funds	$ 10,888,109	$ 16,559,670	$ 20,953,279	$ 17,555,533

(1) The City implemented GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which impacted both the classifications of funds and classification of and balances within funds.

TABLE 4

Fiscel Year (1)					
2012	2013	2014	2015	2016	2017
$ -	$ -	$ -	$ -	$ -	$ -
70,120	72,597	108,298	127,462	487,348	138,601
941,993	5,646,441	6,849,905	10,081,509	-	-
-	-	-	-	515,348	565,045
11,375,745	9,362,608	9,380,730	9,923,578	11,891,652	16,073,653
$ 12,387,858	$ 15,081,646	$ 16,338,933	$ 20,132,549	$ 12,894,348	$ 16,777,299
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,056,122	2,007,357	2,660,466	-	-
1,771	125	-	-	-	-
545,493	690,229	931,773	1,382,935	3,700,651	2,409,305
9,985,464	11,114,335	12,480,371	15,784,265	21,088,314	24,572,209
11,083,156	6,296,968	3,274,935	3,671,650	7,166,769	8,781,887
-	-	(156,535)	-	-	-
$ 21,615,884	$ 19,157,779	$ 18,537,901	$ 23,499,316	$ 31,955,734	$ 35,763,401

CITY OF KELLER, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Taxes	$ 28,984,792	$ 29,764,912	$ 30,875,274	$ 30,917,467
Licenses, fees and permits	1,753,197	1,119,177	1,492,765	1,271,576
Intergovernmental	2,433,675	2,220,113	2,243,917	5,521,904
Charges for services	4,009,487	4,068,661	4,225,420	1,473,354
Fines	1,059,808	996,203	946,204	883,816
Special assessments and impact fees	794,323	533,903	530,996	406,801
Donations	295,879	179,433	116,425	65,986
Interest income	859,258	565,181	232,082	280,479
Miscellaneous income	368,711	411,048	345,339	350,563
Total Revenues	40,559,130	39,858,631	41,008,422	41,171,946
Expenditures				
General government	4,865,176	5,664,989	5,912,363	6,029,397
Public safety	12,888,788	13,464,699	13,245,554	14,183,759
Public works	2,147,931	2,078,623	2,167,078	2,091,785
Community development	1,265,371	1,148,647	1,082,844	966,920
Recreation and leisure	6,648,619	6,901,084	6,594,491	3,976,232
Capital Outlay	7,809,160	9,769,903	5,649,594	8,784,499
Debt Service				
Principal	3,594,567	3,418,491	6,597,743	6,555,603
Interest and fiscal charges	5,677,177	6,481,007	3,648,886	3,486,895
Bond issuance costs	-	-	428,737	-
Advance refunding escrow	-	-	108,360	
Total Expenditures	44,896,789	48,927,443	45,435,650	46,075,090
Excess of Revenues Over (Under) Expenditures	(4,337,659)	(9,068,812)	(4,427,228)	(4,903,144)
Other Financing Sources (Uses)				
Sale of capital assets	26,973	24,826	44,599	53,670
Transfers In	5,681,956	5,131,231	5,462,515	5,094,970
Transfers Out	(2,510,416)	(1,939,946)	(2,054,120)	(1,442,525)
Bonds issued	-	12,310,000	20,629,997	-
Bond premium	-		842,858	-
Payment to refunded bond escrow agent	-	-	(14,370,938)	-
Total Other Financing Sources (Uses)	3,198,513	15,526,111	10,554,911	3,706,115
Net Change in Fund Balances	$ (1,139,146)	$ 6,457,299	$ 6,127,683	$ (1,197,029)
Debt Service as a Percentage of Noncapital Expenditures	25.0%	25.3%	25.8%	26.9%

TABLE 5

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 31,604,211	$ 32,846,813	$ 34,626,731	$ 37,018,059	$ 40,009,553	$ 42,379,848
1,313,373	2,214,199	2,300,895	2,079,019	1,771,594	1,218,057
5,752,557	2,915,931	3,611,678	3,101,589	3,009,267	3,059,876
1,429,532	1,409,324	1,498,686	1,565,049	3,394,410	3,587,619
923,809	901,147	1,326,291	1,143,499	1,313,744	1,445,115
576,455	906,533	885,077	576,321	964,589	468,342
75,915	102,617	96,580	108,456	132,944	132,988
192,931	153,767	180,496	861,762	146,360	710,497
325,397	350,608	295,074	224,804	208,575	191,609
42,194,180	41,800,939	44,821,508	46,678,558	50,951,036	53,193,951
5,770,520	6,077,590	6,269,082	6,753,694	4,939,940	5,315,834
14,486,660	14,628,765	14,968,628	15,281,088	15,547,033	16,490,424
2,180,925	2,272,568	2,224,682	2,289,850	4,463,711	2,841,693
991,240	1,086,784	1,212,552	1,365,628	2,327,242	1,958,408
3,959,543	4,074,082	4,411,469	4,272,027	4,627,717	4,903,681
11,072,371	8,219,386	9,000,163	4,791,333	7,471,482	4,840,540
6,876,829	6,730,769	7,156,404	7,583,160	7,273,304	12,100,180
2,925,696	3,200,476	2,871,535	2,340,333	2,136,540	2,091,739
331,775	-	-	-	-	-
14,549,637	-	-	-	-	-
63,145,196	46,290,420	48,114,515	44,677,113	48,786,969	50,542,499
(20,951,016)	(4,489,481)	(3,293,007)	2,001,445	2,164,067	2,651,452
80,100	110,724	103,861	97,503	732,629	70,204
4,620,375	4,924,073	5,200,474	4,546,770	16,789,409	1,827,507
(1,070,905)	(910,633)	(1,373,919)	(1,203,780)	(16,578,599)	(2,227,507)
19,450,000	601,000	-	19,580,000	-	12,340,000
1,769,323	-	-	294,213	-	901,059
-	-	-	(16,561,118)	-	(7,872,097)
24,848,893	4,725,164	3,930,416	6,753,588	943,439	5,039,166
$ 3,897,877	$ 235,683	$ 637,409	$ 8,755,033	$ 3,107,506	$ 7,690,618
18.8%	26.1%	25.6%	24.9%	24.1%	31.1%

CITY OF KELLER, TEXAS **TABLE 6**
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Property Tax*	Sales and Use Tax	Franchise Tax	Mixed Beverage Tax	Total
2008	$ 17,698,199	$ 8,654,735	$ 2,579,393	$ 52,475	$ 28,984,802
2009	19,143,130	8,045,471	2,520,961	55,350	29,764,912
2010	20,086,141	7,939,671	2,788,527	60,935	30,875,274
2011	19,543,407	8,087,781	2,988,616	64,242	30,684,046
2012	19,631,878	8,670,174	2,695,881	61,567	31,059,500
2013	19,625,642	9,184,887	2,842,453	92,029	31,745,011
2014	21,522,795	9817716	3,157,388	128,832	34,626,731
2015	22,743,582	10,660,047	3,421,518	192,912	37,018,059
2016	20,571,134	11,312,683	4,369,222	176,434	36,429,473
2017	21,501,554	11,812,756	4,287,666	147,297	37,749,273
Percent Change 2008-2017	21.5%	36.5%	66.2%	180.7%	30.2%

* Property tax revenues does not include the property tax revenues from the TIF #1 Interest and Sinking Fund.

TABLE 7

CITY OF KELLER, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Residential Property	Commercial and Industrial Property	Undeveloped Vacant Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2008	3,242,955,051	597,898,198	2,910,353	315,523,601	3,528,240,000	0.43219	3,528,240,000	100.00%
2009	3,493,759,894	658,179,613	7,575,366	317,110,873	3,842,404,000	0.43219	3,842,404,000	100.00%
2010	3,651,461,344	649,812,152	10,017,017	334,742,514	3,976,548,000	0.44219	3,976,548,000	100.00%
2011	3,544,492,548	577,254,245	3,857,525	349,431,177	3,776,173,141	0.44219	3,776,173,141	100.00%
2012	3,649,451,333	584,583,948	3,431,274	391,880,182	3,845,586,374	0.44219	3,845,586,374	100.00%
2013	3,722,050,463	616,284,918	2,739,515	401,546,015	3,939,528,881	0.44219	3,939,528,881	100.00%
2014	3,812,539,101	639,069,078	1,526,679	409,246,091	4,043,888,767	0.44219	4,043,888,767	100.00%
2015	4,041,133,695	676,781,328	1,336,029	415,216,470	4,304,034,582	0.43719	4,304,034,582	100.00%
2016	4,459,324,882	685,548,240	3,984,800	666,074,543	4,482,783,379	0.43469	4,482,783,379	100.00%
2017	4,759,535,434	800,619,329	567,960	569,549,333	4,991,173,390	0.43000	4,991,173,390	100.00%

Note 1: The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. Tarrant Appraisal District's current policy is to conduct a general reappraisal of real and business personal property value annually, meaning that a property's appraised value is established and reviewed for equality and uniformity each year. The district conducts an onsite field review of real property in a portion of the county annually as part of a reappraisal cycle. Tax rates are per $100 of assessed value.

Source: Tarrant Appraisal District.

CITY OF KELLER, TEXAS **TABLE 8**
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS (UNAUDITED)

	City Direct Rates			Overlapping Rates						
Fiscal Year	Basic Rate	General Obligation Debt Service	Total Direct Rate	Carroll Independent School District	Keller Independent School District	Northwest Independent School District	Tarrant County	Tarrant County Community College District	Tarrant County Hospital District	Total Direct & Overlapping Rates
2008	0.31247	0.11972	0.43219	0.0000	1.3574	0.0000	0.2665	0.2665	0.235397	2.425867
2009	0.31175	0.12044	0.43219	0.0000	1.4169	1.3500	0.2640	0.2640	0.227897	2.451004
2010	0.31009	0.13210	0.44219	1.4150	1.4863	1.3500	0.2640	0.2640	0.227897	2.490524
2011	0.29278	0.14941	0.44219	1.4150	1.5306	1.3750	0.2640	0.2640	0.227897	2.490524
2012	0.32552	0.12864	0.45416	1.4150	1.5400	1.3750	0.2640	0.2640	0.227897	2.526390
2013	0.32552	0.11667	0.44219	1.4000	1.5400	1.4525	0.2640	0.2640	0.227897	2.547754
2014	0.32646	0.11573	0.44219	1.4000	1.5400	1.4525	0.2640	0.2640	0.227897	2.547754
2015	0.31676	0.12043	0.43719	1.4000	1.5400	1.4525	0.2640	0.1495	0.227897	2.542754
2016	0.33638	0.09831	0.43469	1.3950	1.5400	1.4525	0.2640	0.1495	0.227897	2.538587
2017	0.31358	0.11642	0.43000	1.3950	1.5200	1.4525	0.2640	0.1447	0.227897	2.576627

Source: Tarrant Appraisal District

Note 1: Rates are per $100 valuation.

Note 2: Tax Rates for the Carroll, Keller and Northwest Independent School Districts have been averaged in determining the Direct and Overlapping Rates.
Each Keller taxpayer remits school district taxes to only one school district.

CITY OF KELLER, TEXAS **TABLE 9**
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)

	2017				2008		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
SC Dominion SPE LLC	$ 41,760,000	1	0.93%	Capr W Dtc	$ 25,600,000	1	0.80%
SC Waterford Glen LP	30,766,000	2	0.69%	GTE Southwest Inc	15,703,700	2	0.49%
T Arthouse Tx LLC	30,000,000	3	0.67%	Ktc Seniors Ltd	17,465,400	3	0.55%
SC Stone Glen LP	24,950,000	4	0.56%	PR Keller Partners LP	15,900,000	4	0.50%
Conservatory Senior Housing	21,615,400	5	0.48%	Regency Centers LP	17,337,000	5	0.54%
Grand Estates At Keller LP	20,920,000	6	0.47%	Winkler Keller Place Shop Etal	10,870,700	6	0.34%
Bear Creek Plaza LTD	17,980,436	7	0.40%	Grand Estates at Keller LP	13,301,400	7	0.42%
Regency Centers LP	15,874,213	8	0.35%	Oncor Electric Delivery Co	12,319,600	8	0.39%
Lowes Home Centers Inc	12,070,467	9	0.27%	Lowe's Home Centers	13,359,500	9	0.42%
Oncor Electric Delivery Company LLC	11,729,432	10	0.26%	Home Depot USA	11,226,300	10	0.35%
Remaining Taxpayers	4,255,117,430		94.92%	Remaining Taxpayers	3,046,270,800		95.20%
Total	$ 4,482,783,378		100.00%		$3,199,354,400		100.00%

(1) Source: Central Appraisal District of Collin County.

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CITY OF KELLER, TEXAS **TABLE 10**
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended September 30	Taxes Levied for the Fiscal Year*	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	15,271,712	15,142,043	99.15%	122,766	15,264,809	99.95%
2009	16,624,386	16,462,169	99.02%	150,431	16,612,600	99.93%
2010	17,597,422	17,424,740	99.02%	157,394	17,582,134	99.91%
2011	17,370,019	17,212,260	99.09%	149,966	17,362,226	99.96%
2012	17,645,180	17,538,272	99.39%	99,458	17,637,730	99.96%
2013	18,026,485	17,946,631	99.56%	76,057	18,022,688	99.98%
2014	18,671,558	18,595,909	99.59%	71,492	18,667,401	99.98%
2015	19,605,135	19,504,832	99.49%	60,015	19,564,847	99.79%
2016	20,447,244	20,353,791	99.54%	13,340	20,367,131	99.61%
2017	22,298,907	22,198,977	99.55%	-	22,198,977	99.55%

Note: * Adjusted through September 30,2017

CITY OF KELLER, TEXAS
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS (UNAUDITED)

	2008	2009	2010	2011
Construction	$ 7,549,622	$ 7,653,377	$ 5,644,566	$ 7,487,590
Agriculture	-	-	-	-
Transportation, communications	10,542,719	-	123,993	6,981,819
Utilities	30,128,038	-	39,979,714	38,586,553
Manufacturing	295,450	2,940,779	6,419,863	320,998
Wholesale Trade	7,891,276	5,890,013	8,956,140	7,824,042
Retail Trade	108,725,426	159,769,554	100,766,160	108,724,134
Information	38,930,359	1,309,930	53,397,031	40,204,903
Finance and insurance	4,141,296	1,344,111	1,361,454	3,418,573
Real estate, rental and leasing	11,665,675	6,712,679	4,594,903	9,610,727
Professional, scientific and technical services	4,667,602	4,095,448	4,017,325	4,585,668
Administrative and support services	12,374,811	6,347,933	9,821,471	11,397,517
Educational services	307,699	78,540	466,628	437,575
Arts, entertainment and recreation	3,681,219	8,810,317	3,915,255	4,379,237
Accommodation and food services	41,325,976	47,316,633	40,617,242	38,757,393
Other Services except PA	7,756,203	9,806,464	10,843,370	6,876,945
Other	53,868,594	1,406,225	108,891,431	53,445,162
Total	$ 343,851,965	$ 263,482,003	$ 399,816,546	$ 343,038,836

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of revenue. The tax liability includes the City sales tax rate of one percent and the blended component unit rate of one-half percent.

TABLE 11

2012	2013	2014	2015	2016	2017
$ 5,690,397	$ 8,628,139	$ 7,891,854	$ 8,227,863	$ 17,318,300	$ 1,416,621
-	-	-	-	5,900	66,313,184
11,695,882	12,048,822	12,219,719	-	68,650	377,911
523,381	34,432,043	32,061,719	34,119,759	40,835,100	-
523,381	337,657	273,857	175,751	20,484,700	8,596,886
7,861,903	9,018,601	9,763,717	11,905,554	13,110,300	7,834,486
116,508,313	124,257,630	129,472,431	71,784,004	213,679,100	258,550,951
41,788,728	44,491,839	42,655,529	56,500,069	60,823,900	11,984,851
4,544,921	4,732,909	4,114,482	842,937	1,479,000	1,071,443
12,667,771	13,332,200	12,632,715	15,573,215	14,439,800	12,909,269
5,642,146	5,334,402	5,987,358	8,375,138	11,407,500	6,301,190
11,689,606	14,142,641	14,024,258	12,613,163	15,017,200	11,666,315
269,071	351,655	406,363	391,465	627,700	634,024
4,522,275	4,207,107	3,086,830	4,623,197	5,984,500	7,386,058
42,932,278	47,229,686	49,744,779	55,162,234	65,804,650	81,506,768
8,273,649	8,864,231	9,012,614	8,425,228	17,774,900	18,934,815
56,115,562	61,564,107	73,637,665	194,592,471	4,772,600	-
$ 331,249,264	$ 392,973,669	$ 406,985,890	$ 483,312,048	$ 503,633,800	$ 495,484,771

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CITY OF KELLER, TEXAS **TABLE 12**
DIRECT AND OVERLAPPING SALES TAX REVENUE
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	State of Texas	Keller Direct Rate	Development Corporation	Control District (2)	Street Maintenance (3)	Totals
2008	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2009	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2010	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2011	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2012	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2013	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2014	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2015	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2016	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2017	6.25%	1.00%	0.50%	0.250%	0.250%	8.25%

Note 1: Effective 1992

Note 2: Effective April, 2002; November 2007, voters authorized a reduction to 0.25% effective April 1, 2008.

Note 3: Effective April, 2004; November 2007, voters authorized an increase to 0.25% effective April 1, 2008.

CITY OF KELLER, TEXAS **TABLE 13**
SALES TAXPAYER BY INDUSTRY
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)

	2017			2008		
Sector	Number of Payers	Percent of Total	Tax*	Percentage of Total	Number of Payers	Percent of Total	Tax**
Construction	312	6.73%	$ 79,706	1.27%	589	9.82%	$ 292,612
Transportation, Communications & Warehousing	11	0.24%	5,836	0.09%	17	0.28%	81,712
Utilities, Mining	63	1.36%	580,128	9.25%	69	1.15%	890,165
Manufacturing	173	3.73%	30,256	0.48%	145	2.42%	8,893
Wholesale Trade	969	20.90%	286,363	4.57%	1,058	17.65%	272,462
Retail Trade	620	13.37%	2,239,866	35.71%	678	11.31%	1,921,132
Information	488	10.52%	936,185	14.93%	527	8.79%	772,311
Finance & Insurance	114	2.46%	34,840	0.56%	157	2.62%	29,316
Real Estate, Rental & Leasing	150	3.23%	256,418	4.09%	229	3.82%	253,119
Professional, Scientific, and Technical Services	434	9.36%	186,236	2.97%	494	8.24%	113,581
Admin & Support Svcs	373	8.04%	262,865	4.19%	683	11.39%	280,508
Educational Services	59	1.27%	8,478	0.14%	57	0.95%	6,240
Arts, Entertainment & Recreation	54	1.16%	76,987	1.23%	40	0.67%	119,018
Accommodation & Food Services	126	2.72%	972,120	15.50%	156	2.60%	763,921
Other Services except PA[3]	265	5.71%	222,659	3.55%	344	5.74%	133,603
Other	426	9.18%	93,293	1.49%	752	12.54%	459,783
Total	4,637	100.00%	$ 6,272,235	100.00%	5,995	100.00%	$ 6,398,376

Notes: Due to confidentiality issues, the names of the ten largest revenue payors are not available. The sectors presented are intended to provide alternative information regarding the sources of revenue. Information is provided by State Comptroller of Public Accounts.

* Direct Sales Tax Rate 1%, Keller Development Corporation .5%, Street Maintenance .25%, Crime Control District .25%

** Direct Sales Tax Rate 1%, Keller Development Corporation .5%

Source: PA- Public Administration, per naics.com

CITY OF KELLER, TEXAS **TABLE 14**
TEN LARGEST WATER CUSTOMERS BY CONSUMPTION
CURRENT YEAR AND FOUR YEARS AGO (UNAUDITED)

2017				2013			
Customer	Total 2017 Consumption	Sales	Pct of Total Usage	Customer	Total 2013 Consumption	Sales	Pct of Total Usage
City of Keller	$ 49,789	$ 222,002	1.77%	City of Keller	$ 66,666	$ 197,821	2.16%
Keller Independent School District	41,763	314,308	1.48%	Keller Independent School District	47,677	275,679	1.55%
Hidden Lakes Home Owner Ass'n	18,280	124,432	0.65%	Hidden Lakes Home Owner Ass'n	19,941	108,396	0.65%
Conservatory Senior Housing	9,344	66,554	0.33%	Conservatory Senior Housing	14,407	78,752	0.47%
Grand Estates at Keller, LP	8,796	64,339	0.31%	Grand Estates at Keller, LP	9,265	52,207	0.30%
Keller Senior Community, LP	7,733	55,203	0.27%	Keller Senior Community, LP	8,993	49,357	0.29%
Keller Oaks Healthcare Center	5,960	41,748	0.21%	Capri W. Lakes, LLC	8,500	47,780	0.28%
Olympus Town Center	5,481	39,945	0.19%	SC Stone Glen LP	6,425	36,035	0.21%
Flanigan Hill HOA	4,673	33,426	0.17%	Keller Oaks Healthcare Center	5,665	30,434	0.18%
Heritage House C/O Apex Healthcar	4,457	23,456	0.16%	Kwik Car Wash	4,719	25,970	0.15%
Subtotal	156,276	985,413	5.54%	Subtotal	192,258	902,431	6.23%
Other customers	2,662,446	12,541,210	94.46%	Other customers	2,892,149	13,386,055	93.77%
TOTAL	$ 2,818,722	$ 13,526,623	100%	**TOTAL**	$ 3,084,407	$14,288,486	100%

Source: Information provided by City staff

CITY OF KELLER, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (UNAUDITED)

	Governmental Activities			
Fiscal Year	General Obligation Bonds	Certificates of Obligation	KDC Revenue Bonds	Premiums / Discounts
2008	$ 17,883,020	$ 61,460,000	$ 660,000	$ -
2009	20,048,603	64,755,000	535,000	-
2010	24,105,000	61,179,997	405,000	-
2011	21,945,000	56,923,550	275,000	-
2012	24,580,000	53,730,020	140,000	-
2013	22,415,000	50,002,894	-	2,384,865
2014	19,970,000	45,353,000	-	2,144,397
2015*	31,033,777	28,485,060	-	1,965,055
2016**	27,300,533	24,945,000	-	1,762,737
2017**	23,661,353	21,014,940	-	2,469,547

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(2) See the Demographic and Economic Statistics table on page 116 for population data.

* Debt was re-allocated between General Obligation Bonds and Certificate of Obligation

**Debt was restated due to re-allocation of debt between governmental and business-type activities

TABLE 15

Business-type Activities								
General Obligation Bonds	Certificates of Obligation	Revenue Bonds	TRA - Other	Premiums / Discounts	Total Primary Government (1)	Percentage of Personal Income	Per Capita (2)
$ 7,761,982	$ 14,130,000	$ -	$ 772,337	$ -	$ 102,667,339	6.32%	2,687
6,981,398	13,370,000	-	303,537	-	105,993,538	6.52%	2,695
5,995,000	14,385,000	-	501,420	-	106,571,417	6.83%	2,698
5,585,000	21,040,000	-	521,228	-	106,289,778	6.16%	2,669
10,560,000	11,765,000	-	139,037	-	100,914,057	5.32%	2,460
9,700,000	11,042,000	-	241,691	885,923	96,672,373	5.29%	2,355
9,145,000	9,959,000	-	-	794,714	87,366,111	4.72%	2,037
12,476,223	6,653,940	-	-	962,073	81,576,128	4.19%	1,902
11,299,467	6,080,000	-	-	849,666	72,237,403	3.71%	1,640
9,868,647	13,810,000	-	-	958,834	71,783,321	3.71%	1,640

CITY OF KELLER, TEXAS **TABLE 16**
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	General Bonded Debt Outstanding: Certificates of Obligation	Less: Debt Service	Total	Percentage Actual Taxable Value of Property	Per Capita
2008	$ 25,645,002	$ 75,590,000	$ 1,020,122	$ 100,214,880	2.84%	2,760
2009	27,030,001	78,125,000	752,552	104,402,449	2.72%	2,691
2010	30,100,000	75,564,997	626,785	105,038,212	2.64%	2,700
2011	27,530,000	77,963,550	564,353	104,929,197	2.78%	2,666
2012	35,140,000	65,495,000	545,493	100,089,507	2.60%	2,505
2013	32,115,000	61,044,894	690,229	92,469,665	2.35%	2,283
2014	29,115,000	55,312,000	931,771	83,495,229	2.06%	2,025
2015	29,115,000	55,312,000	1,382,935	83,044,065	1.93%	1,855
2016	43,510,000	35,139,000	3,541,871	75,107,129	1.68%	1,581
2017	33,530,000	34,824,940	2,268,163	66,086,777	1.32%	1,581

CITY OF KELLER, TEXAS **TABLE 17**
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(UNAUDITED)

Governmental Unit (3)		Debt Outstanding		Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes					
Carroll Independent School District		$ 269,575,246	(1)	0.42%	$ 1,132,216
Keller Independent School District		706,960,916	(1)	35.59%	251,607,390
Northwest Independent School District		803,407,028	(1)	17.00%	136,579,195
Tarrant County General Obligation Debt		321,795,000	(1)	3.37%	10,844,492
Tarrant County Hospital District		20,835,000	(1)	3.36%	700,056
Subtotal, Overlapping Debt					400,863,349
City of Keller direct debt	(2)				47,424,900
Total direct and overlapping debt					$ 448,288,249
Ratio of Direct and Overlapping Bonded Debt to Taxable Assessed Valuation					8.98%
Per Capita Direct and Overlapping Debt					

(1) Source: www.mactexas.com

(2) Percentage of government unit's total property value located within Keller City limits.

(3) Includes both tax-supported self-supported debt of the Keller Development Corporation, Keller Crime Control and Prevention District and the Tax Increment Reinvestment Zone No. 1

CITY OF KELLER, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (UNAUDITED)

	2008	2009	2010	2011
Debt Limit	$ 2.500000	$ 2.500000	$ 2.500000	$ 2.500000
Adopted Tax Rate	0.43219	0.43219	0.44219	0.44219
Additional Rate Available	2.06781	2.06781	2.05781	2.05781
Legal Debt Margin	72,891,093	77,696,131	77,320,390	81,114,904
Total Net Debt Applicable to the Limit				
As a percentage of Debt Limit	17.29%	17.29%	17.69%	17.69%

Legal Debt Margin Calculation for the Current Fiscal Year

Maximum allowable tax rate	$ 2.50000
Adopted tax rate	0.43000
Additional rate available	2.07000
Total taxable value	4,991,173,390
Additional tax levy available	92,793,616
Less: amount set aside for repayment of general obligation debt	-
Legal Debt Margin	$ 92,793,616

As a home rule city, the City of Keller is not legally limited by law in the amount of debt it may issue.
The City's Charter Section 8.16., states:

> The City Council shall have the power under the provisions of state law to levy, assess and collect an annual tax upon taxable property within the City, the tax not to exceed the rate as provided for by state law governing cities with a population in excess of five thousand (5,000) inhabitants.

Article II, Section 5 of the State of Texas Constitution states in part:

> No tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city.

TABLE 18

2012	2013	2014	2015	2016	2017
$ 2.500000	$ 2.500000	$ 2.500000	$ 2.500000	$ 2.500000	$ 2.500000
0.44219	0.44219	0.44219	0.44219	0.43469	0.43000
2.05781	2.05781	2.05781	2.05781	2.06531	2.07000
82,600,785	84,589,531	84,589,531	93,614,599	-	92,793,616
17.69%	17.69%	17.69%	17.49%	17.39%	17.20%

CITY OF KELLER, TEXAS **TABLE 19**
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Water Revenue Bonds: Utility Service Charges (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3): Principal	Debt Service (3): Interest	Total	Coverage
2008	$ 18,440,505	$ 11,072,183	$ 7,368,322	-	-	-	N/A
2009	17,825,997	11,263,357	6,562,640	-	-	-	N/A
2010	17,332,920	11,393,852	5,939,068	-	-	-	N/A
2011	21,507,180	13,675,260	7,831,920	-	-	-	N/A
2012	19,856,182	15,515,102	4,341,080	-	-	-	N/A
2013	20,017,810	12,010,745	8,007,065	-	-	-	N/A
2014	21,578,141	17,816,373	3,761,768	-	-	-	N/A
2015	21,521,901	20,092,236	1,429,665	-	-	-	N/A
2016	20,988,935	19,926,117	1,062,818	-	-	-	N/A
2017	26,432,673	20,050,056	6,382,617	-	-	-	N/A

(1) Includes total operating revenue of the Utility Enterprise Fund
(2) Includes operating expenses of the Utility Enterprise Fund, less depreciation expense.
(3) Debt service requirements includes principal and interest payments on revenue bonds.

CITY OF KELLER, TEXAS **TABLE 20**
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)

Calendar Year	Population (1)	Personal Income	Per Capita Personal Income	Median Age	School Enrollment (KISD)	National Unemployment (3)
2008	38,402	1,632,085,000	42,500 [7]	35.0 [5]	29,424	7.3%
2009	39,450	1,558,827,300	39,514 [7]	35.0 [5]	30,299	9.9%
2010	39,627	1,565,821,278	39,514 [7]	35.0 [6]	32,808	9.3%
2011	39,920	1,730,172,720	43,341 [8]	32.0 [6]	32,796	8.5%
2012	40,440	1,896,838,200	46,905 [8]	36.9 [9]	33,130	7.8%
2013	41,090	1,828,422,820	44,498 [3]	39.9 [9]	33,367	7.2%
2014	42,040	1,852,618,720	44,068 [3]	41.1	33,440	5.9%
2015	42,890	1,947,849,350	45,415	41.3	33,616	5.1%
2016	44,050	1,945,820,650	44,173	40.3	34,180	4.7%
2017	44,620 [1]	2,213,865,920	49,616 [3]	40.2	34,600	4.1%

Source:

[1] North Central Texas Council of Governments (NCTCOG)

[2] Keller Independent School District (KISD)

[3] Bureau of Census

[4] Bureau of Labor Statistics

[5] www.idcide.com , © 2008

[6] US Census 2007 Data and *American Community Survey*

[7] Dallas Morning News, Business Section D, 11-1-10

[8] BEA.gov

[9] IndexMundi

CITY OF KELLER, TEXAS **TABLE 21**
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)

	2017				2016		
Employer	Employees	Rank	Percentage of Total City Employment	Employer	Employees	Rank	Percentage of Total City Employment
Keller ISD	4285	1	10.50%	Keller Independent School District	1,328	1	3.25%
City of Keller	320	2	0.78%	City of Keller	349	2	0.85%
Lowe's	159	3	0.39%	Kroger	220	3	0.54%
Kohl's Department Store	150	4	0.37%	Home Depot	161	4	0.39%
Keller Oaks Healthcare Center	150	5	0.37%	Lowe's	150	5	0.37%
Sam's Club	150	6	0.37%	Keller Oaks Healthcare Center	150	6	0.37%
Home Depot	143	7	0.35%	Heritage House	138	7	0.34%
Kroger	120	8	0.29%	Kohl's Department Store	130	8	0.32%
Heritage House at Keller	120	9	0.29%	Tom Thumb	115	9	0.28%
Tom Thumb	100	10	0.24%	Walmart Neighborhood Market	85	10	0.21%
Walmart Neighborhood Market	100	10	0.24%	Subtotal	2,826		6.9%
Total	5,797		14.2%				

Sources:

Texas Workforce Commission

Keller Business Human Resource Departments

Demographics provided by The Retail Coach

Note: 2008 data was not available at the time

CITY OF KELLER, TEXAS **TABLE 22**
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

	Full-Time Equivalent Employees as of Year End									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program										
General Government										
Administration	8.50	10.00	10.00	8.00	8.00	8.00	8.00	8.00	9.48	9.48
Finance	7.50	7.50	6.50	6.50	7.00	7.00	7.00	7.00	7.50	7.50
Planning										12.45
Town Hall operations	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Other	37.33	37.33	31.83	36.00	27.14	27.50	27.36	27.36	26.92	14.26
Police										
Officers	78.00	78.00	77.00	79.00	50.50	51.50	50.00	50.00	49.00	49.00
Civilians	4.00	4.00	4.00	4.00	34.00	34.00	35.48	35.48	37.48	38.48
Fire										
Firefighters and officers	60.50	60.50	54.00	57.00	57.00	57.00	57.00	57.00	55.00	55.00
Civilians	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Public works										
Engineering	6.00	6.00	5.50	5.50	3.00	3.00	3.00	3.00	3.00	3.00
Other	11.33	11.33	8.83	8.83	11.73	12.10	12.10	12.10	12.33	12.33
Parks and recreation	83.08	84.05	77.65	71.64	74.16	76.22	76.40	76.40	70.86	70.90
Library	15.97	15.97	15.42	15.42	15.42	15.42	15.42	15.42	15.48	15.49
Water	35.92	37.92	33.67	33.67	30.30	30.67	30.67	30.67	30.17	32.17
Wastewater	10.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	11.50	10.50
Drainage	8.75	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Total	371.38	374.60	346.40	348.56	341.25	345.41	345.43	345.43	342.22	344.06

CITY OF KELLER, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	2008	2009	2010	2011
General Government				
Council and work sessions held	45	58	42	45
Cable broadcasts	3,582	5,109	7,118	7,338
Birth/death certificates issued	1,495	935	396	833
Building Permits Issued	277	183	248	250
New construction plan review	165	256	346	350
Police				
Physical Arrests	1,813	1,800	1,600	1,625
Total citations issued	12,755	11,750	11,438	11,800
Total emergency 911 calls	30,350	30,029	32,500	36,400
Calls for service	88,559	174,669	155,124	220,000
Animal control				
Animals adopted/redeemed	885	819	552	556
Animals impounded	1,511	1,334	1,108	1,293
Animal bite investigations	74	63	63	70
Fire				
Emergency responses	1,785	2,706	2,844	2,980
Calls for service, excludes EMS	1,175	914	1,018	1,139
Fire hydrants maintained	2,026	2,050	2,065	2,063
Inspections	516	697	731	720
Finance				
Accounts payable checks processed	5,269	5,476	5,269	5,600
Payroll checks processed	11,320	11,624	11,320	11,800
Journal entries posted	5,813	5,795	5,510	5,500
Purchase orders processed	336	323	336	357

TABLE 23

2012	2013	2014	2015	2016	2017
32	33	32	52	39	29
406	7,305	7,305	7,646	7,646	7,436
	364	436	195	200	81
250	250	300	275	290	310
350	315	385	325	370	385
1,550	1,190	1,540	1,324	1,334	1,011
10,000	9,300	10,500	11,271	11,271	12,485
39,000	30,000	39,764	40,738	40,939	41,200
232,180	245,484	257,664	292,784	294,000	115,434
724	811	720	641	660	624
1,114	970	850	886	832	695
68	68	82	105	100	56
2,180	2,124	3,288	3,369	3,556	3,714
1,225	1,217	1,244	1,098	1,150	1,327
2,077	2,077	2,150	2,237	4,190	2,723
300	300	1,316	1,998	2,300	1,738
3,500	4,400	4,400	4,100	4,200	4,138
10,200	11,700	11,650	10,900	11,000	11,375
5,000	5,000	4,450	4,300	4,500	4,548
300	300	300	285	300	261

CITY OF KELLER, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM, (CONTINUED)
LAST TEN FISCAL YEARS (UNAUDITED)

	2008	2009	2010	2011
Human resources				
Applications processed	1,899	1,190	730	750
Vacancies filled	57	26	25	130
Turnover rate	10.75%	7.49%	9.30%	10.00%
Safety classes conducted	6	6	5	5
Workers compensation claims	43	49	55	40
Municipal court				
Citations processed	10,500	10,524	11,438	11,800
Warrants processed	2,400	1,967	2,000	2,000
Court sessions	212	212	189	189
Defendant requests for court date	3981	6915	6950	6950
Public Works				
Review CIP designated by others	20	14	10	12
Street Resurfacing (miles)	16.00	12.00	12.00	14.00
Sidewalks repaired (linear feet)	56	725	750	750
Parks and Recreation				
Park acreage	456	456	456	456
Facility reservations	646	814	825	840
Program attendance (incl. Sr. programs)	34,091	27,359	21,200	22,000
Athletic field permits issued	N/A	N/A	N/A	N/A
Recreation programs provided (incl. Sr. programs)	960	975	975	1,050
Library				
Library customer visits	253,000	191,739	280,000	300,000
Total volumes borrowed	398,633	317,834	411,930	450,000
Volumes in collection	129,154	128,979	139,954	84,358
Water				
New customers (net)	322	127	242	201
Water Main Breaks	45	31	29	42
Average Daily Consumption (gallons)	8,216	7,804	7,482	9,784
Peak daily consumption (million gallons)	18,785	18,973	18,204	22,565
Water purchased (million gallons)	3,007.0	2,848.3	2,731.0	2,571.3
Wastewater				
Average daily sewage treatment (million gallons)	2,542	2,800	2,975	2,865

Source: [1] Information provided by city staff. Information was not collected, and therefore not available where 'n/a' is shown.

[2] Decrease due to actual verification by city staff for 2011. Only an estimate in previous years.

[3] Trinity River Authority-annual audits

TABLE 23

2012	2013	2014	2015	2016	2017
1,550	1,350	1,800	1,650	1,700	3,596
147	153	200	230	245	237
15.00%	14.00%	18.00%	18.00%	19.00%	0
5	5	4	4	4	38
40	40	37	45	40	33
11,000	10,800	10,400	10,526	10,800	12,801
2,000	2,275	2,000	2,000	2,275	3,150
208	100	47	47	70	70
6300	4350	4200	4200	4,350	4,100
12	12	12	10	10	10
14.00	14.00	16.00	10.00	16	20
1,000	1,700	1,500	1,500	1,000	4,000
456	491	491	491	491	491
975	1,000	975	978	1,000	1,192
18,307	15,007	34,226	41,985	44,000	51,526
N/A	N/A	N/A	N/A	N/A	N/A
1,012	410	1,658	1,828	1,850	1,850
232,000	231,500	238,000	227,000	228,000	227,227
579,500	563,000	562,000	495,396	500,000	438,874
100,363	114,363	127,663	138,663	149,663	117,158
179	254	326	255	240	155
29	22	27	14	14	17
8,838	8,297	8,400	7,692	7,868	8,018
20,551	23,465	22,000	21,591	18,299	19,360
3,225.9	3,028.5	3,029.4	2,807.7	2,871.9	2,927
2,866	2,876	2,972	2,950	2,290	3,390

CITY OF KELLER, TEXAS **TABLE 24**
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police Stations										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	23	21	21	23	23	23	29	29	29
Fire Stations										
Stations	3	4	4	3	3	3	3	3	3	3
Engines/trucks	3	6	5	5	4	5	5	5	5	5
Public Works										
Streets (miles)	410	414	418	418	477	477	475	485	495	497
Alleys (miles)	2,369	2,045	2,048	2,500	2,505	2,585	2,487	2,605	2,625	2,752
Traffic Signals	5	6	6	6	10	10	-	10	10	11
Parks and Recreation										
Acreage	456	456	456	456	456	491	491	491	491	491
Playgrounds	9	9	9	9	9	9	9	9	9	9
Baseball/softball fields	11	11	11	11	11	11	11	11	11	11
Soccer/football fields	9	9	9	9	9	9	9	9	9	9
Community Centers	1	1	1	1	1	1	1	2	2	1
Water										
Water mains (miles)	256	256	258	260	190	290	288	286	288	284
Storage capacity (million gallons)	9	10	10	10	10	10	10	10	10	10
Wastewater										
Sanitary Sewers (miles)	183	183	183	193	193	192	192	196	197	210
Storm sewers (miles)	50	50	50	50	50	50	50	50	50	75
Treatment capacity (million gallons)	10	10	10	10	10	10	10	10	10	10